Pakistan Tobacco Company

Flexible & Resilient

Annual Report & Accounts 2010

At PTC, we continue
cultivate a culture of
flexibility and resilien
times of prosperity f
even in times of aust
with long-standing
principles, balance a
the strength to make
difference

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Registered Office
Pakistan Tobacco Company Limited
Silver Square, Plot No. 15, F-11 Markaz
P.O. Box 2549, Islamabad-44000
Telephone: +92 (51) 2083200-01
Fax: +92 (51) 2224216
Web: www.ptc.com.pk

Company Secretary
Ms. Ayesha Rafique
Company Secretary
E-mail: ayesha_rafique@bat.com

Bankers
Barclays Bank PLC
Citibank N.A
Deutsche Bank
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Auditors
A.F. Ferguson & Co.
Chartered Accountants
3rd Floor, PIA Building
49 Blue Area, P.O. Box 3021
Islamabad-44000
Telephone: +92 (51) 2273457-60
Fax: +92 (51) 2277924

Share Registrar
FAMCO Associates (Pvt.) Ltd.
State Life Building No. 1-A, 1st Floor
I. I. Chundrigar Road, Karachi
Telephone: +92 (21) 32420755, 32427012

Factories
Akora Khattak Factory
P.O. Akora Khattak
Tehsil and District Nowshera, N.W.F.P.
Telephone: +92 (923) 630901-11
Fax: +92 (923) 510792

Jhelum Factory
G.T. Road, Kala Gujran, Jhelum
Telephone: +92 (544) 646500-7
Fax: +92 (544) 646524

Regional Sales Offices
North Punjab & N.W.F.P.
57-A/6, Satellite Town, Rawalpindi
Telephone: +92 (51) 4582390-91
Fax: +92 (51) 4582392

Central Punjab
128/129-G, Commercial Area
DHA, Phase-1, Lahore
Telephone: +92 (42) 5899351-4
Fax: +92 (42) 5899356

Southern Punjab
93, Street 3, Meharban Colony,
MDA Chowk, Multan
Telephone: +92 (61) 4512553, 4584376
Fax: +92 (61) 4542921

Sindh & Baluchistan
8th Floor, N.I.C. Building
Abbasi Shaheed Road, Karachi
Telephone: +92 (21) 35635490-5
Fax: +92 (21) 35635500

Our vision, mission, strategic objectives and our principles define the way we live and work.

Our Vision
First choice for everyone.

Our Mission
Transform PTC to perform responsibly with the speed, flexibility and enterprising spirit of an innovative, consumer focused company.

Our Strategic Objectives
Our strategy reflects our vision of being the champions of Growth, Productivity, Responsibility and Winning Organisation.

Guiding Principles

Strength from Diversity
Strength from Diversity reflects our cultural mix and a working environment that respects employees' individual differences. It also reflects our vision of harnessing diversity - of people, cultures, viewpoints, brands, markets and ideas fl to create opportunities and strengthen performance. For this reason, we are interested in what will differentiate you from others fl what makes you unique.

Open Minded
Open Minded reflects our openness to change, opportunities and new ideas, including ways of addressing regulatory issues and changing social expectations. We seek to listen without prejudice, actively and genuinely considering other viewpoints.

Freedom through responsibility
Freedom through Responsibility describes how we make decisions fl as close to the consumer as possible fl and affirms our belief that decision-makers should accept responsibility for their own decisions.

Enterprising spirit
Enterprising Spirit has been a characteristic of our business since its very inception. It is reflected in our ability to grow our business and its value within challenging environments, with the confidence to seek opportunities for success, to strive for innovation and to accept considered risk-taking as part of doing business.

Business Principles

Mutual Benefit

The principle of Mutual Benefit is the basis on which we build our relationships with our stakeholders We are primarily in business to build long term shareholder value and we believe the best way to do this is to understand and take account of the needs and desires of all our stakeholders

Core Beliefs

- Creating long term shareholder value
- Engaging constructively with our stakeholders
- Creating inspiring working environments for our people
- Adding value to the communities in which we operate
- Ensuring that suppliers and other business partners have the opportunity to benefit from their relationship with us

Responsible Product Stewardship

The principle of Responsible Product Stewardship is the basis on which we meet consumer demand for a legal product that, put simply, is a cause of serious diseases. Therefore, our products and brands should be developed, manufactured and marketed in a responsible manner.

Core Beliefs

- Provision of accurate, clear health messages about the risks of tobacco consumption
- Reduction of the health impact of tobacco consumption whilst respecting the right of informed adults to choose the products they prefer
- Continued availability of relevant and meaningful information about our products.
- Underage people should not consume tobacco products
- Responsible marketing of our brands and products directed at adult consumers
- Appropriate taxation of tobacco products and elimination of illicit trade
- Regulation that balances the interests of all sections of society, including tobacco consumers and the tobacco industry
- Approach public smoking in a way that balances the interests of smokers and non-smokers

Good Corporate Conduct.

The principle of Good Corporate Conduct is the basis on which all our business should be managed. Business success brings with it an obligation for high standards of behaviour and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.

Core Beliefs

- Our businesses uphold high standards of behaviour and integrity
- High standards of corporate social responsibility should be promoted within the tobacco industry
- Universally recognised fundamental human rights to be respected
- Tobacco industry to have a voice in the formation of government policies affecting it
- Achieving world class standards of environmental performance

The Board

Mueen Afzal
Chairman & Non-Executive Director

Mueen Afzal graduated with Honours from Punjab University before going to Oxford University in 1963. He served in various prominent positions in Finance and Health Ministries with the Provincial and Central Government. He has also served as Secretary General, Finance and Economic Affairs He is also on the board of various reputed organisations / institutions, which include ICI (Pakistan), and Pakistan Philanthropy Centre. He joined the Board in 2003 and became the Chairman in 2007. He was awarded the Hilal-e-Imtiaz (HI) in 2002 for distinguished public service.

Nicholas Stewart Hales
Managing Director & CEO

Nicholas Hales started his career in the tobacco industry as a Trainee Salesman in the United Kingdom in 1989. After a number of years in sales, he moved into general management and held numerous roles throughout the Sub-Saharan region. He also served as West ad Central Africa Area Director covering 26 different markets. After four successful years in this role, in 2007 he was transferred to Bangladesh as Managing Director and Chairman. In 2008, he was appointed as the Managing Director and Chief Executive Officer of the Company, after the resignation of Mr. Toh Ah Wah.

Mobasher Raza
Deputy M.D. & F.D.

Mobasher Raza has been with the Company for the last 31 years He joined as a Management Trainee and has held various key positions in the Finance function within PTC as well as with the other Group Companies. In 2006, in addition to his role as a Finance Director he was appointed as the Deputy Managing Director of the Company.

Ahmed Zeb
Supply Chain Director

Ahmed Zeb joined the Company as a Management Trainee in the Production Department in 1976. Having held various key positions in PTC, he was seconded to BAT Uganda in 1997 where he worked as Head of Operations and Projects for the East Africa cluster. Thereafter, he was posted to Sri Lanka (Ceylon Tobacco Company) as Operations Director. He returned to Pakistan in August 2004 and was appointed as Production Director. He joined the Board in August 2005.

Feroze Ahmed
Stratagy & Planning Director

Feroze Ahmed joined PTC as head of IT in 2003 from Reckitt Benckiser plc, UK where he served as the Information Services Director for Eastern Europe, Africa & Middle East, East Asia & South Asia and as a member of the Global IT leadership team. In 2005, Feroze joined the Board of Directors In 2007, he moved to Hong Kong as a Regional Head of IT, Asia Pacific and returned to Pakistan as Strategy and Planning Director in 2009.

Tajamal Shah
Legal Director

Tajamal qualified as a Barrister in 1989. He started his career in England as an Assistant Company Secretary in a private company and then became a part of the British civil service when he joined the Department of Trade and Industry. In 1992, he took up an in-house position as a Legal Advisor specialising in project and aircraft financing. In 1996, he moved to a leading law firm DLA as a Senior Associate. He moved to Pakistan and joined PTC as Company Secretary in 1999. He joined the Board in 2009 as Legal director.

Lt. Gen. (Retd.) Ali Kuli Khan Khattak
Non-Executive Director

Lt. General (Retd.) Ali Kuli Khan hails from Peshawar and belongs to a renowned industrial family. He was commissioned in the Pakistan Army in 1964. General Ali and his late father are the only examples in the Pakistan Army where both father and son have risen to the rank of Lieutenant Generals. Important assignments during his brilliant career were Commandant Staff College in Quetta, Chief of General Staff and Director General Military Intelligence. He sits on the Board of various renowned establishments.

Abid Niaz Hasan
Non-Executive Director

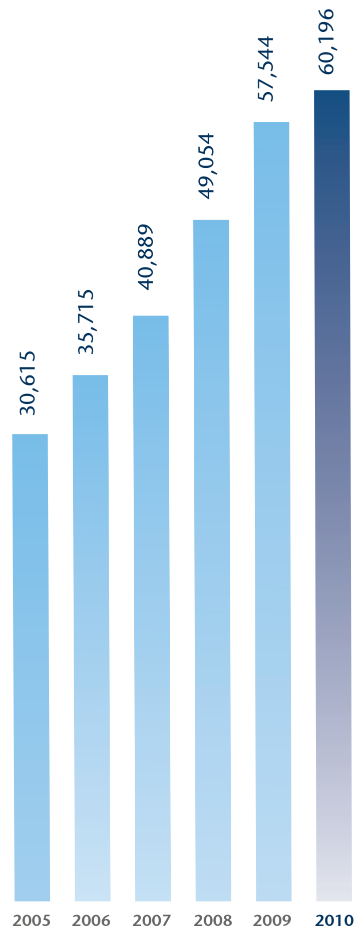
Abid Hasan has over 31 years of global experience in Economic Development, having worked for the World Bank from 1975-2006. Mr. Hasan has worked extensively with countries in South and West Asia and the Asian Tiger economies. He has worked in the capacity of an advisor to various Governments and managed various World Bank programmes. During his career with the Bank, he represented International Finance Corporation (IFC) on the boards of several companies that were financed by it.

Syed Asif Shah
Non-Executive Director

Asif Shah graduated from London School of Economics in 1971 and joined the Pakistan Civil Services in 1973 as an Officer of District Management Group. During his career as a government servant he has served on numerous key provincial and federal positions. After taking retirement from the Civil Services in 2008. He has been appointed as Member of the Federal Public Service Commission, Pakistan. He joined PTC Board in 2009.

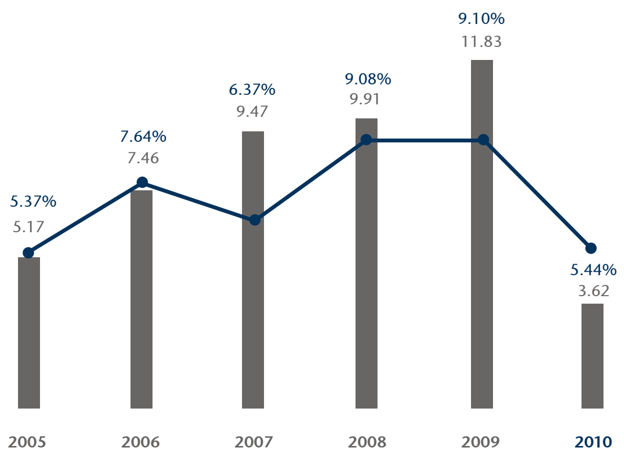
Financial Highlights

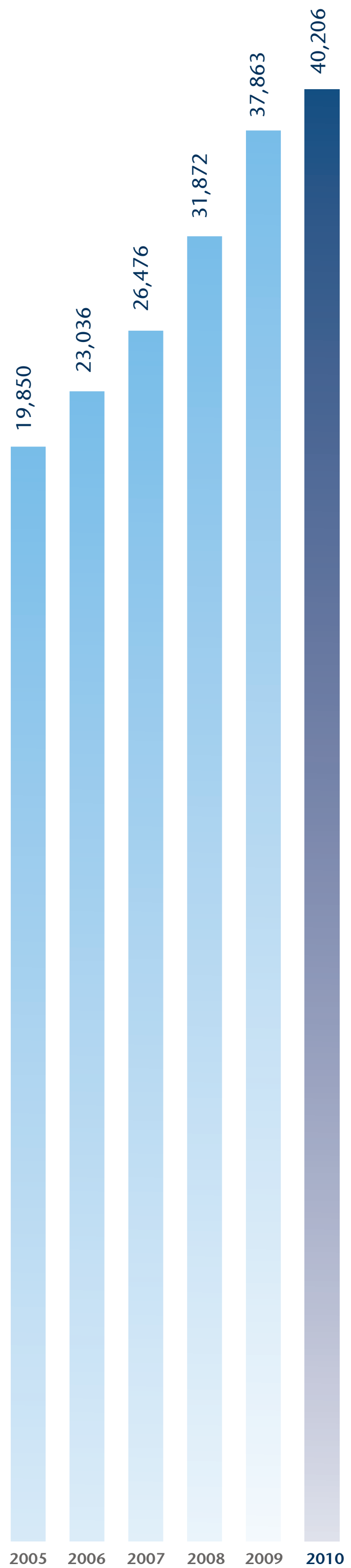
Our pillars of success are reflection of our flexibility and resilience.



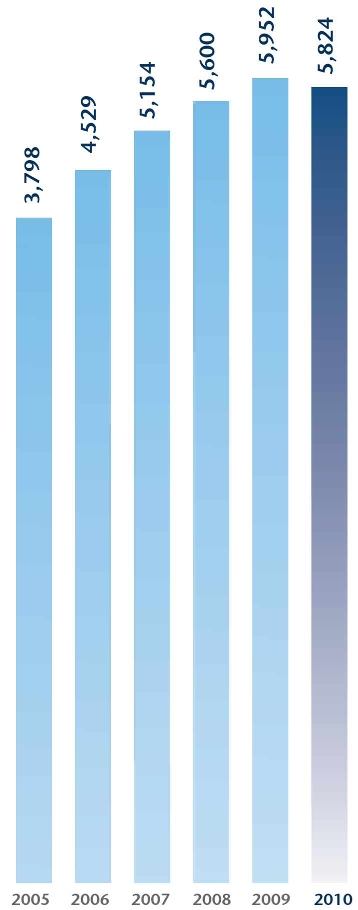
Gross Turnover (Rs million)

Earnings Per Share and Dividend Yield

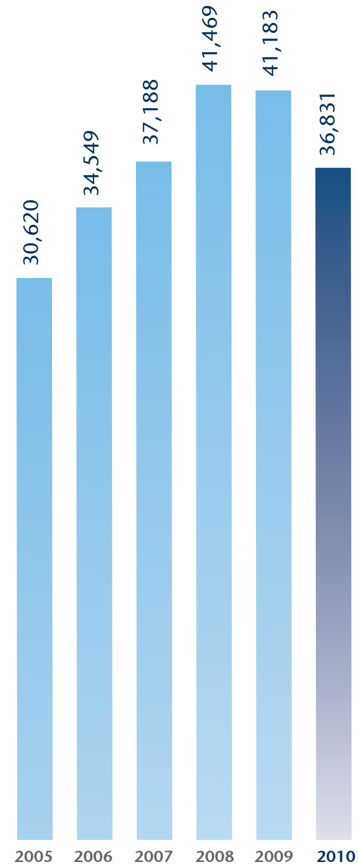




Govt. Levies
(Rs million)

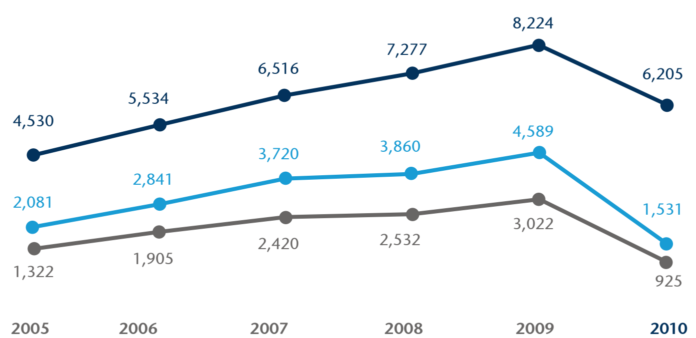


Property, Plant & Equipment
(Rs million)



Volume (Million sticks)

Gross, Operating & Profit After Tax (Rs million)



Financial Highlights

Profit & Loss
Volume
Gross Turnover
Excise & Sales Tax
Net Turnover
Gross Profit
Operating Profit
Profit Before Tax
Profit After Tax
EBITDA
Dividends

Balance Sheet
Paid up capital
Reserves
Shareholders' Funds
Property, Plant & Equipment
Net Current Assets /(Liabilities)
Capital Employed
Capital Expenditure during the year
Long Term / Deferred Liabilities

Investor Information
Return on Assets
Return on Equity
Return on Capital Employed
Earnings per share After Tax
Price-Earning Ratio
Dividend yield ratio
Dividend payout ratio
Break-up value per share
Market value per share at year end
Highest Market value per share during the year
Lowest Market value per share during the year
Gross profit ratio
EBITDA Margin
Net Profit Margin
Inventory Turnover Ratio
Creditor Turnover
Operating Cycle
Total Assets Turnover Ratio
Fixed Assets Turnover Ratio
Current Ratio
Quick/Acid Test Ratio
Dividend Per Share
Dividend Cover Ratio
Debt to Equity Ratio
Interest Cover Ratio
Govt. levies as a percentage of turnover

Government Levies
Customs, Excise Duties & Sales Tax
Local Taxes and Other Duties
Income Tax

	2010	2009	2008	2007	2006	2005
Million Sticks	36,831	41,183	41,469	37,188	34,549	30,620
Rs million	60,196	57,544	49,054	40,889	35,715	30,615
Rs million	39,243	35,878	30,181	24,846	21,824	18,862
Rs million	20,953	21,667	18,872	16,043	13,891	11,753
Rs million	6,205	8,224	7,277	6,516	5,534	4,530
Rs million	1,531	4,589	3,860	3,720	2,841	2,081
Rs million	1,418	4,648	3,894	3,725	2,861	2,082
Rs million	925	3,022	2,532	2,420	1,905	1,322
Rs million	2,276	5,246	4,455	4,257	3,323	2,508
Rs million	1,533	2,440	2,466	2,529	1,405	946
Rs million	2,555	2,555	2,555	2,555	2,555	2,555
Rs million	1,047	1,705	1,053	1,150	1,584	1,084
Rs million	3,602	4,260	3,608	3,705	4,139	3,639
Rs million	5,824	5,952	5,600	5,154	4,529	3,798
Rs million	(1,108)	(614)	(471)	(182)	423	532
Rs million	4,740	5,370	5,184	5,003	4,984	4,364
Rs million	646	1,045	1,073	1,191	1,238	717
Rs million	1,138	1,110	1,576	1,299	845	725
%	7.52	26.72	25.05	26.08	22.81	17.63
%	25.68	70.94	70.18	65.33	46.02	36.32
%	19.52	56.28	48.84	48.37	38.22	30.29
Rs	3.62	11.83	9.91	9.47	7.46	5.17
Rs	30.44	8.88	10.73	16.42	9.66	13.33
%	5.44	9.10	9.08	6.37	7.64	5.37
%	165.71	80.73	97.38	104.50	73.75	71.56
Rs	14.10	16.67	14.12	14.50	16.20	14.24
Rs	110.23	105.00	106.30	155.50	72.00	68.95
Rs	119.90	117.00	161.00	198.30	80.00	77.00
Rs	100.58	52.90	106.30	74.50	60.45	47.55
%	10.31	14.29	14.83	15.93	15.49	14.80
%	3.78	9.12	9.08	10.41	9.30	8.19
%	1.54	5.25	5.16	5.92	5.33	4.32
	2.46	2.33	2.86	2.38	2.20	1.91
	8.42	8.03	7.83	7.98	8.39	5.10
Days	149	157	128	153	166	191
	4.87	4.71	4.72	4.16	4.09	3.84
	10.34	9.67	8.76	7.93	7.89	8.06
	0.85	0.91	0.91	0.96	1.11	1.15
	0.04	0.04	0.09	0.10	0.06	0.06
Rs	6.00	9.55	9.65	9.90	5.50	3.70
	0.60	1.24	1.03	0.96	1.36	1.40
	0.63	0.31	0.16	0.28	0.31	0.11
	10.23	104.78	148.39	143.46	102.11	81.45
%	66.79	65.80	64.97	64.75	64.50	64.84
Rs million	39,652	36,367	30,525	25,213	22,069	19,129
Rs million	116	105	101	94	87	87
Rs million	438	1,391	1,246	1,169	880	634

Horizontal Analysis

Balance Sheet	2005 (Rs '000)	2006 (Rs '000)	2007 (Rs '000)	2008 (Rs '000)
Non Current Assets				
Property Plant & Equipment	3,798,190	4,529,366	5,154,326	5,599,758
Investment in Subsidiary Company at Cost	5,000	5,000	5,000	5,000
Long Term Loans	17,782	18,660	12,513	9,244
Long Term Deposits and Prepayments	11,365	8,424	13,025	41,172
Current Assets				
Stocks in trade	3,780,931	3,790,853	3,998,181	4,059,063
Stores and spares	125,232	140,008	140,777	190,646
Trade debts	2,894	2,406	2,386	2,666
Loans and advances	32,676	12,205	38,580	65,917
Short term prepayments	31,987	72,235	64,887	105,728
Other receivables	104,791	92,360	229,891	246,675
Cash & Bank Balances	57,605	62,883	166,666	69,172
	4,136,116	4,172,950	4,641,368	4,739,867
	7,968,453	8,734,400	9,826,232	10,395,041
Share Capital & Reserves				
Share Capital	2,554,938	2,554,938	2,554,938	2,554,938
Revenue Reserves	1,084,476	1,584,249	1,149,742	1,053,393
Non Current Liabilities				
Retirement Benefits	-	-	489,503	739,133
Deferred Taxation	724,673	845,004	809,109	836,939
Current Liabilities				
Trade and other payables	2,515,824	2,212,241	3,548,237	4,324,704
Accrued interest / mark-up accrued	10,911	11,115	8,401	10,354
Short term finances	400,662	1,293,141	1,038,550	572,397
Income tax payable	676,969	233,712	227,752	303,183
	3,604,366	3,750,209	4,822,940	5,210,638
	7,968,453	8,734,400	9,826,232	10,395,041
Profit & Loss Account				
Gross turnover	30,615,062	35,715,451	40,889,275	49,053,928
Excise duties	14,758,558	16,991,172	19,311,946	23,351,734
Sales tax	4,103,324	4,833,285	5,534,452	6,829,699
Net turnover	11,753,180	13,890,994	16,042,877	18,872,495
Cost of sales	7,223,576	8,357,474	9,527,306	11,595,736
Gross Profit	4,529,604	5,533,520	6,515,571	7,276,759
Selling and distribution expenses	1,578,656	1,816,198	1,795,793	1,933,364
Administration expenses	573,285	644,981	736,147	928,358
Other operating income	8,100	20,686	71,756	60,551
Other operating expenses	304,462	251,932	335,763	615,458
Operating profit	2,081,301	2,841,095	3,719,624	3,860,130
Finance income	26,317	47,402	30,878	59,600
Finance cost	25,554	27,824	25,928	26,013
Profit before taxation	2,082,064	2,860,673	3,724,574	3,893,717
Taxation	760,145	955,685	1,304,367	1,361,422
Profit for the year	1,321,919	1,904,988	2,420,207	2,532,295
Earnings per Share - basic and diluted (Rupees)	5.17	7.46	9.47	9.91

2009 (Rs '000)	2010 (Rs '000)	2005 Var. %	06 Vs 05 Var. %	07 Vs 06 Var. %	08 Vs 07 Var. %	09 Vs 08 Var. %	10 Vs 09 Var. %
5,952,108	5,823,688	100	19.25	13.80	8.64	6.29	(2.16)
5,000	5,000	100	-	-	-	-	-
7,310	3,417	100	4.94	(32.94)	(26.12)	(20.92)	(53.26)
19,915	15,375	100	(25.88)	54.62	216.10	(51.63)	(22.80)
5,765,367	6,002,824	100	0.26	5.47	1.52	42.04	4.12
218,375	199,208	100	11.80	0.55	35.42	14.54	(8.78)
1,684	1,597	100	(16.86)	(0.83)	11.74	(36.83)	(5.17)
48,598	48,267	100	(62.65)	216.10	70.86	(26.27)	(0.68)
72,483	118,329	100	125.83	(10.17)	62.94	(31.44)	63.25
88,147	93,546	100	(11.86)	148.91	7.30	(64.27)	6.12
47,874	51,945	100	9.16	165.04	(58.50)	(30.79)	8.50
6,242,528	6,515,716	100	0.89	11.23	2.12	31.70	4.38
12,226,861	12,363,196	100	9.61	12.50	5.79	17.62	1.12
2,554,938	2,554,938	100	-	-	-	-	-
1,705,296	1,047,151	100	46.08	(27.43)	(8.38)	61.89	(38.59)
-	-	-	-	100	51.00	(100)	-
1,109,847	1,137,581	100	16.60	(4.25)	3.44	32.61	2.50
5,037,469	5,339,725	100	(12.07)	60.39	21.88	16.48	6.00
27,659	46,789	100	1.87	(24.42)	23.25	167.13	69.16
1,300,837	2,252,218	100	222.75	(19.69)	(44.88)	127.26	73.14
490,815	-15,206	100	(65.48)	(2.55)	33.12	61.89	(103.10)
6,856,780	7,623,526	100	4.05	28.60	8.04	31.59	11.18
12,226,861	12,363,196	100	9.61	12.50	5.79	17.62	1.12
57,544,309	60,195,535	100	16.66	14.49	19.97	17.31	4.61
27,654,345	30,476,421	100	15.13	13.66	20.92	18.43	10.20
8,223,439	8,766,485	100	17.79	14.51	23.40	20.41	6.60
21,666,525	20,952,629	100	18.19	15.49	17.64	14.80	(3.29)
13,442,066	14,747,717	100	15.70	14.00	21.71	15.92	9.71
8,224,459	6,204,912	100	22.16	17.75	11.68	13.02	(24.56)
2,246,014	3,279,390	100	15.05	(1.12)	7.66	16.17	46.01
1,100,814	1,233,165	100	12.51	14.13	26.11	18.58	12.02
226,499	46,610	100	155.38	246.88	(15.62)	274.06	(79.42)
514,665	208,211	100	(17.25)	33.28	83.30	(16.38)	(59.54)
4,589,465	1,530,756	100	36.51	30.92	3.78	18.89	(66.65)
102,826	36,933	-	80.12	(34.86)	93.02	72.53	(64.08)
43,802	149,680	100	8.88	(6.81)	0.33	68.39	241.72
4,648,489	1,418,009	100	37.40	30.20	4.54	19.38	(69.50)
1,626,083	492,909	100	25.72	36.49	4.37	19.44	(69.69)
3,022,406	925,100	100	44.11	27.05	4.63	19.35	(69.39)
11.83	3.62	100	44.29	26.94	4.65	19.37	(69.39)

Vertical Analysis

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Non-Current Assets				
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Short term prepayments	31,987	72,235	64,887	105,728
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Cash & Bank Balances	57,605	62,883	166,666	69,172
	4,136,116	4,172,950	4,641,368	4,739,867
	7,968,453	8,734,400	9,826,232	10,395,041
Share Capital & Reserves				
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Revenue Reserves	1,084,476	1,584,249	1,149,742	1,053,393
Non-Current Liabilities				
Retirement Benefits	-	-	489,503	739,133
Deferred Taxation	724,673	845,004	809,109	836,939
Current Liabilities				
Trade and other payables	2,515,824	2,212,241	3,548,237	4,324,704
Accrued interest / mark-up accrued	10,911	11,115	8,401	10,354
Short term finances	400,662	1,293,141	1,038,550	572,397
Income tax payable	676,969	233,712	227,752	303,183
	3,604,366	3,750,209	4,822,940	5,210,638
	7,968,453	8,734,400	9,826,232	10,395,041
Profit & Loss Account				
Net turnover	11,753,180	13,890,994	16,042,877	18,872,495
Cost of sales	7,223,576	8,357,474	9,527,306	11,595,736
Gross Profit	4,529,604	5,533,520	6,515,571	7,276,759
Selling and distribution expenses	1,578,656	1,816,198	1,795,793	1,933,364
Administration expenses	573,285	644,981	736,147	928,358
Other operating income	8,100	20,686	71,756	60,551
Other operating expenses	304,462	251,932	335,763	615,458
Operating profit	2,081,301	2,841,095	3,719,624	3,860,130
Finance income	26317	47,402	30,878	59,600
Finance cost	25,554	27,824	25,928	26,013
Profit before taxation	2,082,064	2,860,673	3,724,574	3,893,717
Taxation	760,145	955,685	1,304,367	1,361,422
Profit for the year	1,321,919	1,904,988	2,420,207	2,532,295

2009 (Rs '000)	2010 (Rs '000)	2005 Var. %	2006 Var. %	2007 Var. %	2008 Var. %	2009 Var. %	2010 Var. %
5,952,108	5,823,688	47.67	51.86	52.45	53.87	48.68	47.11
5,000	5,000	0.06	0.06	0.05	0.05	0.04	0.04
7,310	3,417	0.22	0.21	0.13	0.09	0.06	0.03
19,915	15,375	0.14	0.10	0.13	0.40	0.16	0.12
5,765,367	6,002,824	47.45	43.40	40.69	39.05	47.15	48.55
218,375	199,208	1.57	1.60	1.43	1.83	1.79	1.61
1,684	1,597	0.04	0.03	0.02	0.03	0.01	0.01
48,598	48,267	0.41	0.14	0.39	0.63	0.40	0.39
72,483	118,329	0.40	0.83	0.66	1.02	0.59	0.96
88,147	93,546	1.32	1.06	2.34	2.37	0.72	0.76
47,874	51,945	0.72	0.72	1.70	0.67	0.39	0.42
6,242,528	6,515,716	51.91	47.78	47.23	45.60	51.06	52.70
12,226,861	12,363,196	100	100	100	100	100	100
2,554,938	2,554,938	32.06	29.25	26.00	24.58	20.90	20.67
1,705,296	1,047,151	13.61	18.14	11.70	10.13	13.95	8.47
-	-	-	-	4.98	7.11	0.00	0.00
1,109,847	1,137,581	9.09	9.67	8.23	8.05	9.08	9.20
5,037,469	5,339,725	31.57	25.33	36.11	41.60	41.20	43.19
27,659	46,789	0.14	0.13	0.09	0.10	0.23	0.38
1,300,837	2,252,218	5.03	14.81	10.57	5.51	10.64	18.22
490,815	-15,206	8.50	2.68	2.32	2.92	4.01	(0.12)
6,856,780	7,623,526	45.23	42.94	49.08	50.13	56.08	61.66
12,226,861	12,363,196	100	100	100	100	100	100
21,666,525	20,952,629	100	100	100	100	100	100
13,442,066	14,747,717	61.46	60.16	59.39	61.44	62.04	70.39
8,224,459	6,204,912	38.54	39.84	40.61	38.56	37.96	29.61
2,246,014	3,279,390	13.43	13.07	11.19	10.24	10.37	15.65
1,100,814	1,233,165	4.88	4.64	4.59	4.92	5.08	5.89
226,499	46,610	0.07	0.15	0.45	0.32	1.05	0.22
514,665	208,211	2.59	1.81	2.09	3.26	2.38	0.99
4,589,465	1,530,756	17.71	20.45	23.19	20.45	21.18	7.31
102,826	36,933	0.22	0.34	0.19	0.32	0.47	0.18
43,802	149,680	0.22	0.20	0.16	0.14	0.20	0.71
4,648,489	1,418,009	17.71	20.59	23.22	20.63	21.45	6.77
1,626,083	492,909	6.47	6.88	8.13	7.21	7.51	2.35
3,022,406	925,100	11.25	13.71	15.09	13.42	13.95	4.42

Summary of Cash Flows

Cash flow from Operating Activities	
Cash flow from Investing Activities	
Cash flow from Financing Activities	
Net Change in Cash and Cash Equivalents	
Beginning Cash and Cash Equivalents	
Ending Cash and Cash Equivalents	
Cash and Cash Equivalents comprise	
Cash and Bank Balances	
Short Term Borrowings	

Financial Calendar

2010

1st Quarter Results issued on

2nd Quarter Results issued on

3rd Quarter Results issued on

Recommendation of Annual Results by the BOD

64th Annual General Meeting scheduled for

2009

1st Quarter Results issued on

2nd Quarter Results issued on

3rd Quarter Results issued on

Recommendation of Annual Results by the BOD

63rd Annual General Meeting held on

		2010	2009	2008	2007	2006	2005
	Rs million	1,149	2,545	4,316	3,546	1,711	2,273
	Rs million	(565)	(860)	(978)	(1,151)	(1,201)	(674)
	Rs million	(1,531)	(2,435)	(2,969)	(2,036)	(1,398)	(985)
	Rs million	(947)	(750)	369	358	(887)	614
	Rs million	(1,253)	(503)	(872)	(1,230)	(343)	(957)
	Rs million	(2,200)	(1,253)	(503)	(872)	(1,230)	(343)

		2010	2009	2008	2007	2006	2005
	Rs million	52	48	69	167	63	58
	Rs million	(2,252)	(1,301)	(572)	(1,039)	(1,293)	(401)
	Rs million	(2,200)	(1,253)	(503)	(872)	(1,230)	(343)

April 19, 2010
August 9, 2010
October 18, 2010
March 16, 2011
April 22, 2011

April 22, 2009
August 21, 2009
October 20, 2009
March 12, 2010
April 20, 2010

Analysis of Quarterly Results

Balance Sheet

Non Current Assets
Property Plant And Equipment
Investment in Subsidiary Company at Cost
Long Term Loans
Long Term Deposits and Prepayments

Current Assets
Stocks in trade
Stores and spares
Trade debts
Loans,advances, short term prepayments and other receivables
Short Term Deposits
Cash and bank balances

Current Liabilities
Trade and other payables
Accrued interest / mark-up
Short term finances
Income tax payable

Net Current Assets / (Liabilites)

Non Current Liabilites
Retirement Benefits
Deferred Taxation

Net Assets

Share Capital & Reserves
Share Capital
Revenue Reserves

	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q	2010 4Q
Rs million	5,490	5,550	5,646	5,952	5,799	5,738	5,680	5,824
Rs million	5	5	5	5	5	5	5	5
Rs million	8	10	9	7	6	5	4	3
Rs million	26	18	22	20	19	46	30	15
Rs million	3,668	2,641	6,528	5,765	4,959	3,724	7,255	6,003
Rs million	202	266	255	218	223	235	250	199
Rs million	3	6	2	2	3	3	2	2
Rs million	507	405	270	209	274	255	328	260
Rs million	1,127	1,533	-	-	810	-	-	-
Rs million	216	160	386	48	101	58	59	52
Rs million	5,723	5,011	7,441	6,243	6,370	4,275	7,894	6,516
Rs million	4,495	3,625	5,631	5,037	5,637	2,355	5,816	5,340
Rs million	8	-	8	28	33	13	54	47
Rs million	236		729	1,301	1	2,318	2,561	2,252
Rs million	448	812	818	491	501	332	199	15
Rs million	5,187	4,437	7,186	6,857	6,172	5,018	8,630	7,624
Rs million	536	574	255	(614)	198	(743)	(734)	(1,108)
Rs million	789	739	739	-	-	-	-	-
Rs million	814	810	801	1,110	1,085	1,127	1,114	1,138
Rs million	1,603	1,549	1,540	1,110	1,085	1,127	1,114	1,138
Rs million	4,462	4,608	4,397	4,260	4,942	3,924	3,869	3,602
Rs million	2,555	2,555	2,555	2,555	2,555	2,555	2,555	2,555
Rs million	1,907	2,053	1,842	1,705	2,387	1,369	1,314	1,047
Rs million	4,462	4,608	4,397	4,260	4,942	3,924	3,86	3,602

Analysis of Quarterly Results

Profit & Loss Account

Gross Turnover
Excise Duties
Sales tax
Net Turnover

Cost of sales
Gross Profit

Selling and distribution expenses
Administration expenses
Other operating expenses
Other operating income

Operating profit/(loss)

Finance income
Finance cost
Finance (cost)/income - net

Profit/(Loss) before taxation

Taxation

Profit/(Loss) for the year

	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q	2010 4Q
Rs million	14,047	16,616	11,540	15,341	15,753	15,832	12,873	15,738
Rs million	6,573	7,752	5,790	7,539	7,760	7,884	6,702	8,130
Rs million	2,010	2,368	1,650	2,195	2,233	2,254	1,927	2,352
Rs million	5,464	6,496	4,100	5,607	5,759	5,693	4,244	5,257
Rs million	3,378	3,823	2,545	3,696	3,746	3,887	3,156	3,959
Rs million	2,086	2,673	1,554	1,911	2,014	1,806	1,088	1,297
Rs million	431	514	440	861	560	669	779	1,271
Rs million	234	289	325	253	296	319	328	290
Rs million	108	167	66	174	89	-18	2	135
Rs million	3	36	21	166	5	66	3	27
Rs million	770	934	810	1,121	940	904	1,106	1,724
Rs million	1,316	1,739	744	790	1,074	902	(18)	(427)
Rs million	10	68	20	5	3	31	1	2
Rs million	8	1	8	27	34	13	55	48
Rs million	2	67	12	(22)	(31)	18	(54)	(46)
Rs million	1,318	1,806	756	768	1,043	920	(72)	(473)
Rs million	464	626	264	272	361	273	(19)	(122)
Rs million	854	1,180	492	496	682	647	(53)	(351)

Notice is hereby given for the 64th Annual General Meeting.

Notice of Annual General Meeting

Notice is hereby given that the 64th Annual General Meeting (‡the Meeting·) of Pakistan Tobacco Company Limited (‡the Company·) will be held at Silver Square, Plot No.15, F-11 Markaz, Islamabad on Friday, 22nd April, 2011 at 10.30 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited accounts for the year ended December 31, 2010, and the Report of the Directors and Auditors thereon.
2. To approve the Final Dividend as recommended by the Board.
3. To appoint Auditors and to fix their remuneration.

Special Business

1. To approve the amendments in Articles of Association of the Company in order to make them compliant with the amendments made in the Companies Ordinance, 1984 from time to time by the Securities & Exchange Commission of Pakistan.
2. Renumbering the Articles of Association after the above amendments.

A statement under section 160 (1) (b) of the Companies Ordinance 1984 pertaining to the special business is being sent to the shareholders with this notice.

By Order of the Board

Ayesha Rafique
Company Secretary

April 01, 2011
Islamabad

Notes

1. The Share Transfer Books of the Company will be closed from 16th April, 2011 to 22nd April, 2011 both days inclusive. Transfers received in order at the office of the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd, State Life Building No.1-A, 1st Floor, I. I. Chundrigar Road, Karachi at the close of business on 15th April, 2011, will be in time to be entitled to vote and for the entitlement of dividend.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy and such proxy will have the right to attend, speak and vote in place of that member. Forms of proxy must be deposited at the office of the Company's Share Registrar not less than 48 hours before the time appointed for the Meeting and in default, forms of proxy will not be treated as valid.

3. Attendance of members who have deposited their shares into Central Depository Company of Pakistan Limited shall be in accordance with the following:

a. In Person:

i) Individuals must bring their participant's ID number and account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the Meeting;

ii) In the case of a corporate entity, presentation of a Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee at the time of the Meeting.

b. By Proxy:

i) In case of individuals, the submission of the proxy form as per the requirement notified in Note 2 above.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

v) In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted with the proxy form to the Company.

4. Members are requested to notify the Company„s Share Registrar promptly of changes in their address and the members who have not yet submitted a photocopy of their valid Computerized National Identity Cards to the Company are requested to send the same at the earliest directly to our Share Registrar.

Statement under Section 160(1) (b) of the Companies Ordinance, 1984

The following statement is annexed to the Notice of the Sixty Fourth Annual General Meeting of the Company to be held on 22nd April, 2011 and sets out the material facts concerning the special business to be transacted at the Meeting.

Note 1

For the amendments in Articles of Association of the Company in order to make them compliant with the amendments made in the Companies Ordinance, 1984 from time to time by the Securities & Exchange Commission of Pakistan the following Special Resolution will be moved at the meeting.

‡RESOLVED THAT to amend the Articles of Association in order to make them compliant with the amendments in the Companies Ordinance, 1984 made by the Securities & Exchange Commission of Pakistan, from time to time.

FURTHER RESOLVED to revise the numbering order of the amended Articles of Association.·

Chairman,s Message

Pakistan Tobacco Company faced a challenging year in 2010. Changes in the external environment impacted our business. The Company however, took a number of initiatives and it is satisfying to note that the business has been put back on the path to long term and sustainable growth.

Throughout 2010, the company operated in a very challenging environment. The security situation remained volatile. New, more stringent tobacco control regulations were introduced by the Government, most notable being the introduction of pictorial health warnings. The excise incidence was increased once again forcing us to take sharp price increases. Depressed incomes in the economy forced an increasing number of consumers to down-trade to low priced tax evaded brands. Tax evaded segment is the biggest threat to the viability of legitimate players and to the sustainability of government revenues. Abundant availability of smuggled brands, non compliant with the pictorial health warning, also fuelled growth of this segment. These factors resulted in a growth in illicit trade from 17.8% to 18.9% of the already shrinking cigarette market during the year under review. We would urge the authorities to take urgent steps against smugglers, tax evaders and counterfeiters to curb this menace which is devastating the industry and depriving the exchequer of vital revenues.

PTC took 2010 as a challenge and an opportunity, and continued to invest in our people, processes and brands, which we believe are the key to sustained and long term business success. Looking at the economic situation and the need to arrest the growth in illicit trade Capstan by Pall Mall Original (CbPMO) was launched. This brand has shown great promise and played a vital role in reversing the Company,s declining market share trend. We are hopeful that CbPMO will continue to contribute positively during 2011 and beyond. Our other brands also did well due to enhanced emphasis on trade engagement programs and expanded distribution networks.

2010 has been a difficult year for us, but we have come out of it as a more resilient and determined organisation focused on achieving our strategic goal of long term sustainable business growth.

The company also effectively managed the interests of its stakeholders, ranging from tobacco growers, shop floor workers, and sales staff to retail network service providers. We continued to ensure 100% compliance with all regulations issued by the Government of Pakistan.

I am pleased to note that PTC has continued its long tradition of working with and supporting the communities it operates in. The Company was one of the first few private organisations to provide much needed assistance in areas affected by the floods. PTC,s provision of emergency rations, hygiene kits and vaccines, rebuilding of homes and schools, community hygiene awareness and restoration of water points has helped more than 65,000 people. In addition, the company also supported more than 10,000 businesses to get back on their feet.

PTC continued to focus on its flagship afforestation program and Mobile Doctor Units. I am pleased to note that even in times of difficult financial circumstances, the Company has not compromised on its responsibility agenda and made great strides in further strengthening its responsibility credentials.

2010 has been a difficult year for us, but we have come out of it as a more resilient and determined organisation focused on achieving our strategic goal of long term sustainable business growth. As a business leader in Pakistan, our company,s vision remains broad and in addition to enhancing shareholder value we remain committed to conducting our business responsibly, doing all we can to impact our communities favourably.

Mueen Afzal
Chairman

Our business was faced with many challenges including higher tax rates, growing illicit trade and stringent tobacco control regulations.

I am pleased to share the Company's results with you for 2010. Operating in a constrained macroeconomic climate, our business was faced with many challenges including higher tax rates, a growing illicit trade sector, intensifying tobacco control regulations and above all a volatile security situation.

The economy remained depressed in 2010 restraining growth of consumer disposable income. Volatile security situation and widespread losses caused by floods also impeded Pakistan's economic growth. The Government has significantly increased excise incidence over the last two years forcing the legitimate players to take sharp price increases. This, in times of strained disposable incomes resulted in accelerated down trading to the low priced brands of the tax evading segment as well as shrinkage of the overall cigarette market by 13.9% during the year.

Our performance during the year is reflective of the issues stated above with sales and profits going down vs. the previous year. Sales dropped to 36.8 bn, a reflection of the prevalent market situation as well as down trading. Our profit is down to Rs 925 Mn on account of higher taxes, rising input costs and higher marketing investments made to strengthen our market position. Despite these tough times the Company continued its investment behind people, brands and processes which is of immense strategic importance for the long term success of our business. Highlight of the year was the launch of a new brand, Capstan by Pall Mall Original (CbPMO), an unprecedented success story for any new brand. CbPMO played a lead role in arresting the sharp decline in our volumes and helped us regain market share towards the last quarter of the year.

The year was marked by one of the worst catastrophes in the history of Pakistan as floods inundated a large portion of the country affecting over one fifth of the country's total population. Our robust business continuity plans ensured minimum business interruption, despite large scale destruction resulting in breakdown of road networks and vital infrastructure. Living up to its reputation the Company stood by the affectees and made significant contribution towards the post flood relief and rehabilitation efforts.

Our contributions to the Government increased by 6% over last year to a record Rs 40 Bn. Despite the increase in tax incidence, the YoY growth during 2010 was lower than previous years The excise led price increase adversely impacted our volumes as the consumers moved to cheap illicit sector brands and also down traded within our own portfolio.

CbPMO is becoming the fastest growing tobacco brand in its segment, gaining share from its competition.

Our Brands

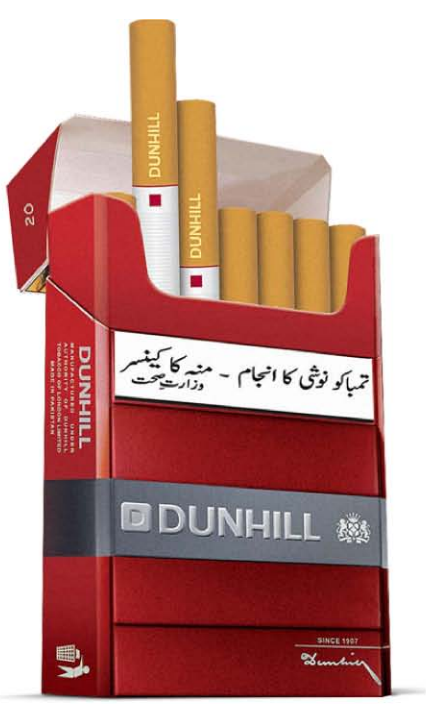
Our brand portfolio performed well in the face of a tough economic environment and stiff competition. We managed to successfully thwart all competitive threats as our new brand Capstan by Pall Mall Original (CbPMO) outperformed all the other brands in its segment. CbPMO ended the year with an 11% share of the market.

Dunhill, supported by trade incentive programs and distribution network expansion, continued to gain strength during the year as a top class premium offer for consumers **Benson & Hedges** followed suit by continuing its growth momentum from 2009.

John Player Gold Leaf (JPGL) continued to be the key value driver for PTC. With the introduction of a new modern pack last year and an aggressive product quality campaign, JPGL sustained its market share along with significant enhancement in product quality ratings and consumer appeal.

Capstan by Pall Mall Original was launched in June, 2010 to capitalise on the rapidly evolving Low-Medium price segment. It immediately started gaining share from its competition and the success story continued as it achieved a steep climb through the final quarter, becoming the fastest growing tobacco brand in its segment.

With a strong distribution and brand equity **Gold Flake** was supported by innovative limited edition offers and focused consumer communication. This brand exists in the most furiously fought market segment that saw two brand launches during the year, from us as well as the competition. Its sales were lower vs. last year however it continues to be our highest selling maintains its leadership position in the market.



Even in these difficult times, we have continued to offer industry leading remuneration packages, world class training and opportunities of a true international career.

Our People

Market dynamics for talent continue to be a major challenge for us as an increasing number of comparable companies aggressively hunt for a limited pool of top talent. We have, over the years, managed to keep our talent pipeline healthy by attracting and retaining high quality talent through our unique reward system. Even in these difficult times, we have continued to offer industry leading remuneration packages, world class training and opportunities of a true international career. The fact that we have managed to attract a number of mid career recruits and kept turnover within manageable limits is a testimony of the strength of the PTC Corporate Brand and its reputation to provide excellent career growth and development opportunities.

Pakistan Tobacco Company continues to be regarded as a source of high caliber talent within its parent Group with 21 PTC employees currently working on various assignments across the BAT world.

Business Process Re-engineering

In 2010, PTC revisited its strategic priorities by conducting a number of workshops and sessions. The outcome was a strengthened and focused strategy that propagated significant change initiatives and Business Process Re-engineering (BPR) projects. The alternative leaf sourcing strategy is a prime example of the ideas generated. Aimed at increasing the overall curing capacity, higher fuel efficiency, and getting significant carbon footprint advantage by re-engineering the existing Leaf model, this ground breaking BPR project will make significant contributions to lower the product cost and ensure a long term steady supply of tobacco. Lean manufacturing is another such initiative that focuses on delivering higher productivity at lower costs through better utilization of existing resources, quality improvement, skills enhancement, wastages minimization, complexity reduction, and overall manufacturing process optimisation. Strategy & Planning and our Program Management Office (PMO) played a key role in identifying these and other change initiatives as well as facilitating their subsequent implementation by setting up the necessary supporting project management structures around them and monitoring their progress on a regular basis.

Environment, Health & Safety (EH&S)

Being committed to the Environmental, Health and Safety (EHS) excellence program, the Company has committed itself to deliver continuous improvement in its business processes/systems. The Company has taken various initiatives to improve and sustain energy conservation, CO2 emission reduction, renewable energy consumption, waste management and water usage & discharge. All the initiatives are taken to retain natural balance of our ecosystem and to preserve our natural resources from depletion by using them responsibly. Subsequent to ensuring zero process water discharge from factories through 100% re-use of treated water, we have also made strides in collecting, storing and using rainwater in our factory premises. Also, as a step forward we have embedded Biodiversity in our business for the preservation of our ecosystems.

It is a matter of great pride for us to continuously win the highest accolade for EHS in our parent group, ‡EHS Excellence Award· year on year since 2003. In a larger recognition of our efforts in this field, this year we were also awarded by ‡The Judges' Special Award· for introducing innovative ways to standardize and bring EHS compliance in Commercial Operations. In 2010, our Jhelum factory was awarded the highest EHS rating amongst all BAT plants in the Asia Pacific. Both our factories were also certified on 5S during the year, first ever for a manufacturing facility in Pakistan. Our Jhelum factory also received the OHSAS certification for complying with world class health and safety standards.

Corporate Social Responsibility

Despite difficult operating conditions we managed to continue with our Corporate Social Responsibility (CSR) agenda to ensure that we operate ethically, responsibly and give back to the communities that we work with. We invested over Rs 109 Mn in CSR during 2010 even though our business was faced with severe financial constraints.

Afforestation program, our flagship project, helped us make significant contributions towards a greener environment with over 4 million saplings planted in various areas of Punjab, Khyber-Pakhtunkhwa (KPK) and Islamabad. We continued to provide free medical facilities through our Mobile Doctor Units (MDU) and medical camps to patients in the underprivileged and remote parts of the country with over 94,000 patients treated in 2010.

We firmly believe that we are on the trajectory that will lead us to achieving our goal of long term and sustainable business growth.

The Company made significant contributions towards flood relief activities across the country. As soon as the flood waters hit KPK, PTC was one of the very first companies to initiate an emergency relief program by providing food packages, water purification tablets and vaccines against typhoid through our MDUs to over 15,000 affectees.

Many of our Trade partners lost their livelihoods in the floods. The Company made significant investment extending its support to such affected businesses and helped over 10,000 of them rebuild their establishments after the floods. Our employees and parent group also made significant contributions to support our relief and rehabilitation efforts.

In November 2010, we also partnered with Australian Aid International to launch a community project that benefited over 65,000 people in Thatta, Sindh. This project will provide potable water, sanitation and hygiene education to the flood affectees of that region.

Considering 2010 was full of challenges both for our business and our people on the economic and security front, we continued to run our CSR programmes for the greater benefit of the communities we work with and for the people of Pakistan. I am proud of the efforts and hard work put in by my team in the past year and I am sure that despite all the difficulties, we shall continue to operate and contribute further as a responsible corporate citizen.

Illicit Sector

With unprecedented excise led price increases over the last few years, the illicit segment especially the local duty not paid (DNP) segment has continued to flourish. The situation became even worse in 2010 with the introduction of Pictorial Health Warning. The consumers shifted to the smuggled brands that do not comply with this regulation and are freely available in the market. Market share of smuggled brands has thus increased exponentially during the year which is a source of grave concern for the industry. The growth of illicit sector not only continues to affect the legitimate industry but also causes heavy revenue losses to the Government due to tax evasion.

Illicit trade is not only the largest threat to the long term viability of the legitimate players but is also causing huge losses to the Government revenues. We strongly urge the Government authorities to take strict action against illicit brands, especially those without the pictorial health warning. We remain fully committed to support the Government in all its initiatives to curtail illicit trade and provide a level playing field to all the players.

Outlook

This year has been an extraordinary challenging and tough year for the business. We however firmly believe that we are on the trajectory that will lead us to achieving our goal of long term and sustainable business growth.

The continuing growth of the illicit tobacco sector puts the legitimate industry at peril and also poses a serious threat to the sustainability of Government revenues from the tobacco sector. We fully support sensible regulations, however weak enforcement allows the illicit sector to operate outside the regulatory bracket.

More so, the macroeconomic health of the country especially in wake of the devastating floods is still uncertain. Erosion of consumers' purchasing power and rising inflation will continue to adversely affect our sales and business operations.

We cherish the enduring relationship we have shared with our consumers, employees and business partners We remain committed to further nurture this long-standing relationship, as the economy resurfaces, through our human competence, efficient state-of-the-art systems and meticulous cost control.

I am satisfied to note that, in line with our strategic vision, our Company is progressing firmly on the path that leads to a sustainable business growth. Our business fundamentals are strong and have proved to be an enduring testament to our survival in times of economic downturn. We strongly believe that these fundamentals will continue to be the key drivers of our business strength in the future.

Nicholas Stewart Hales
Managing Director and CEO

Directors' Review

Our performance during the year was severely impacted by a constrained economy, floods, stringent regulations and rising Government taxes.

The Directors present the 64th Annual Report along with the audited financial statements of the Company for the year ended December 31, 2010.

Our performance during the year was severely impacted by a number of issues including a constrained economy, floods, stringent regulations and rising Government taxes. Despite a tough economic and competitive landscape, we have managed to retain our market dominance, leading all the other players by a considerable margin.

Business Performance

Provided here are the key financial indicators for the year 2010.

	2010 Rs million	2009 Rs million	Change
Gross Turnover	60,196	57,544	05%
Net Turnover	20,953	21,667	-03%
Gross profit	6,205	8,224	-25%
Operating profit	1,531	4,589	-67%
Profit before tax	1,418	4,648	-69%
Profit after tax	925	3,022	-69%
Earnings per share fi EPS (Rs)	3.62	11.83	-69%

Economic growth was restricted due to a number of factors during the year resulting in strained disposable incomes. Price increase necessitated by rising taxes encouraged the consumers to down trade, an option they have easily available in this market where a large portion belongs to the ultra low tax evaded segment, which therefore, continued to grow. These factors combined with devastating floods and further tightening of the already strict tobacco control regulations contributed to the shrinkage of the overall industry. Our sales and revenues therefore remained constrained with net turnover declining by 3% over last year.

Despite strict controls our cost base has increased, fuelled by inflation, rising energy and security expenses, Rupee devaluation and higher marketing investments required to strengthen the market position. All these factors had serious implication for the Company's profitability which was lower than last year.

Sales Performance

The year was marked with Widespread down trading and industry shrinkage, restricting our sales to 36.8 billion cigarettes, down 10.6% vs. SPLY. Excise-led price increases, low disposable incomes and the effect of floods during the latter half of the year contributed heavily to the overall market decline. We are pleased to note however, that the Company managed to retain its leadership of the domestic tobacco market.

Year„s biggest success story was our new brand, Capstan by Pall Mall Original which rose to 11.1% of market share by the end of 2010.

Dunhill further established itself as a truly differentiated premium offering. Attractive trade offers and distribution expansion helped the brand to strengthen its market position, **Benson & Hedges** also gained strength continuing its growth momentum from 2009.

Withstanding the industry decline and two price increases this year, **John Player Gold Leaf** managed to maintain its volume base, ending the year with 8.2% market share. An intensive product quality campaign further enhanced its brand equity, helping the brand make great strides towards delivering sustainable value into the future.

Year's biggest success story was our new brand, **Capstan by Pall Mall Original** Launched in June, 2010 the brand rose to 11.1% of the market by the end of 2010, breaking all records for any new brand launched in the domestic tobacco market. The brand was introduced to capitalise on the opportunities in the Low-Medium price segment and rapidly captured share from other competitor brands to become the fastest growing brand in its segment.

Gold Flake ended the year as the number 1 tobacco brand in Pakistan with a market share of 22.4%. The brand showed good performance especially in the last quarter as a consequence of its brand equity and strong distribution.

Contribution to the National Exchequer

Despite an extraordinary challenging situation, our contribution to the Government continued to grow, with contribution for the year being 6% higher vs. SPLY. The company contributed Rs 40 billion in the form of Federal Excise Duty, Sales Tax, Custom Duties and Income Tax.

Cost of Sales

A number of factors adversely impacted our costs as prices of inputs continued to rise due to inflation and rupee devaluation. Extensive power outages led to the use of higher cost alternate energy sources. Volatile security situation necessitated higher security expenses. These factors were mitigated to some extent through effective resource management and strict cost controls, the overall cost base however increased as a result of the overriding factors stated above.

Operating & Other Costs

Heavy Excise led price increases in a low disposable income scenario prompted the consumers to down trade to the ultra low priced tax evading segment brands. Meanwhile the competition has been intensely active trying to gain market share. PTC therefore had to invest heavily behind its brands to ward off the stiff competition and maintain its leadership of the domestic tobacco market. During 2010, our selling and distribution expenses have increased by 46% over SPLY.

The Company remained committed to recruitment and retention of high caliber talent. In its endeavour to maintain a healthy talent pipeline, the company continued to offer world class training & development opportunities, career advancement prospects and highly competitive remuneration packages to its employees, despite tough operating conditions.

The year saw Pakistan faced with one of the worst natural disasters of its history. Extreme floods in July/August 2010 impacted a large portion of the country affecting over one fifth of the country's population. Living up to its reputation, our company was one of the first ones to initiate relief and rehabilitation activities in the flood affected areas. Despite the difficult circumstances, the company incurred significant costs in its efforts to alleviate the sufferings of the flood affectees.

Declining profitability and higher tax payments during second half of the year increased our borrowing requirements. The company therefore incurred a net interest cost of Rs 113 Mn during 2010 vs. a net interest income of Rs 59 Mn during SPLY.

Cash Flows

Rising material prices drove our inventories higher during the year. Higher inventories combined with sales decline, higher contribution to the National Exchequer and rising input costs adversely impacted our cash flows.

The company also continued to make the necessary investments in plant modernization and efficiency projects. Our cash and cash equivalents therefore decreased by Rs 947 million vs. SPLY.

The Company contributed Rs 40 billion in the form of Federal Excise Duty, Sales Tax, Custom Duties and Income Tax.

Appropriation of Profits

Profit for the year, along with distributable profit at year end, has been appropriated as follows:

	2010 Rs million	2009 Rs million
Operating profit	1,531	4,589
Profit after tax	925	3,022
Accumulated profit brought forward	1,705	1,053
Actuarial (Losses) / Gains taken to Equity (net of tax)	(50)	69
Profit available for appropriation	2,580	4,144
Appropriations:		
Final dividend 2009 @ 47.5 % (2008:23%)	1,214	588
1st interim dividend 2010 @ 12.5% (2009:17.5%)	319	447
2nd interim dividend (2009:27.5%)	-	702
3rd interim dividend (2009:27.5%)	-	702
Un-appropriated profit carried forward	1,047	1,705

Plant Modernization

PTC Supply Chain continued to modernize its plant and machinery in its efforts to achieve global quality and productivity benchmarks. The Company invested Rs 646 Mn in property plant and equipment during 2010. This included induction of latest cigarette making and packing machinery, modernization of tobacco curing facilities and equipment inducted for adoption of modern energy optimisation techniques.

PTC factories were the first in Pakistan to attain certification on Japanese 5S standard, a testament to our focus on achieving excellence in productivity as well as process and product quality.

Dividend

The Company proposes a final dividend of Rs 2.10 (2009: Rs 4.75) per share for the financial year ended December 31, 2010 over and above the interim dividend paid during the year. This final dividend shall be subject to the approval of shareholders in their meeting scheduled for April 22, 2011.

Good Corporate Governance

The Directors confirm compliance with the Corporate & Financial Reporting Framework of the SECP,s Code of Corporate Governance for the following:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
b) Proper books of accounts of the Company have been maintained.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of all financial statements.
e) The system of internal control, which is sound in design has been effectively implemented and is being continuously reviewed.
f) There are no doubts about the Company's ability to continue as a going concern.
g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
h) All major Government levies in the normal course of business, payable as at December 31, 2010 have been cleared subsequent to the year-end.
i) Key operating and financial data for last six years in summarised form is annexed.

Heavy Excise led price increases in a low disposable income scenario prompted the consumers to down trade to the ultra low priced tax evading segment brands.

j) Values of investments in employees retirement funds based on audited accounts for the year ended December 31, 2009 are as follows:

	Rs million
Management Provident Fund	413
Staff Pension Fund	2,090
Pakistan Tobacco Co. Ltd.	
Provident Fund	522
Employees' Gratuity Fund	587
Staff Defined Contribution	
Pension Fund	5

The Board

The Board comprises 4 non-executive directors and 5 executive directors The positions of Chairman and CEO are kept separate in line with good governance practice.

Changes in the Board

The Directors wish to report the following changes in the Board of Directors:

In the last AGM held on 20th April, 2010, the number of Directors was reduced from 12 to 9. Accordingly, the following persons were elected as Directors for a period of three years commencing from 20th April, 2010:

- Mr. Mueen Afzal
- Mr. Nicholas Stewart Hales
- Mr. Mobasher Raza
- Mr. Ahmed Zeb
- Mr. Feroze Ahmed
- Mr. Tajamal Shah
- Lt. Gen. (Retd.) Ali Kuli Khan Khattak
- Mr. Abid Niaz Hasan and
- Syed Asif Shah

Several committees assist the Board in the effective and timely performance of its functions.

Board of Directors Meetings

During the year 2010, four meetings of the BOD were held on March 12 , April 19 , August 9 , and October 18 . Attendances are detailed below:

Name of Director	No. of meetings attended
1. Mr. Mueen Afzal, Chairman and Non-Executive Director	4
2. Mr. Nicholas Stewart Hales, Managing Director and Chief Executive	2
3. Mr. Mobasher Raza, Deputy Managing Director and Finance Director	2
4. Mr. Ahmed Zeb, Supply Chain Director	3
5. Mr. Feroze Ahmed, Strategy & Planning Director	4
6. Mr. Tajamal Shah, Legal Director	2
7. Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Non-Executive Director	2
8. Mr. Abid Niaz Hasan, Non-Executive Director	3
9. Syed Asif Shah, Non-Executive Director	4

Board Committees

The Board has a number of committees, which assist the Board in the performance of its functions. A list of committees is annexed.

Audit Committee

The Audit Committee is a committee of the Board of Directors that assists the Board in the manner provided in the Code of Corporate Governance issued by the SECP and forming part of the Listing Regulations of the Stock Exchanges in Pakistan. The audit committee of Pakistan Tobacco Company comprises of the following four Non-Executive Directors:

Mr. Abid Niaz Hasan (Chairman)
Lt. Gen. (Retd.) Ali Kuli Khan Khattak
Mr. Syed Asif Shah
Mr. Mueen Afzal

The Managing Director and the Finance Director attend meetings of the Committee on standing invitation. The Head of Internal Audit is the secretary of the Committee and reports directly to the Chairman of the Audit Committee.

The Committee held four meetings during the year in which the External Auditors were present to assist the committee on matters relating to financial accounts and reporting. The quarterly, half-yearly and annual accounts of the Company along with any public announcements relating to them were reviewed and recommended by the Committee before the Board's approval. Such reviews extend to major areas of judgment reflected in the accounts, significant adjustments resulting from the audit of accounts, the going concern assumption, and changes in accounting policies and practices, compliance with applicable accounting standards, compliance with listing regulations and other statutory and regulatory requirements.

The Audit Committee functions within the scope of the Terms of Reference approved by the Board which determine the roles and responsibilities of the Committee and reflect the requirements of the Code of Corporate Governance. The role and responsibilities of the Audit Committee include determining appropriate measures to safeguard the Company's assets, reviewing quarterly, half-yearly and annual financial statements of the Company and preliminary announcements of results before approval by the Board and

Our Company was one of the first ones to initiate relief and rehabilitation activities in the flood affected areas.

publication, reviewing the Company's statement on internal control systems prior to their approval by the Board, reviewing the external auditors letter to the management and its response thereto, ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective, considering major findings of internal audit and management's responses thereto, monitoring compliance with the best practices of corporate governance and instituting special projects and investigations on any matter deemed appropriate by the Committee or desired by the Board.

The Audit Committee assists the Board of Directors in monitoring the framework of managing business risks and internal controls. The Committee seeks assurance on the measures taken by the management in identification, evaluation and mitigation of relevant business risks. It also monitors the performance of the Internal Audit Department which adopts a risk-based approach for planning and conducting business process audits consistently with the Company's established work practices. The scope and extent of internal audit, including the annual Internal Audit Plan, are reviewed and approved by the Committee which also regularly monitors the progress. While the External Auditors independently determine their plan of audit, the Committee is informed of their progress and especially in regard to issues stated in their letters to management and responses received. Without interfering with the independence of the External and Internal Auditors, the Committee encourages coordination between them in the discharge of their respective functions.

The Committee recommends to the Board the appointment of the External Auditors and their engagement terms based on the Committee's review of their performance and value provided to the Company.

Auditors

Statutory Audit for the Company for the financial year ended December 31, 2010 has been concluded and the Auditors have issued their Audit Reports on the Company financial statements, consolidated financial statements and the ‡Statement of Compliance with the Code of Corporate Governance·.

The Auditors Messrs A. F. Ferguson & Co. shall retire at the conclusion of annual general meeting, and they have indicated their willingness to continue as Auditors They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP. The Board proposes their reappointment as Auditors for the financial year ending December 31, 2011 on the recommendation of the Audit Committee.

Shareholding

The pattern of shareholding as at December 31, 2010 alongside the disclosure as required under Code of Corporate Governance is annexed within this report. The Directors, CEO, Chief Financial Officer, Company Secretary and their spouses and minors have reportedly not performed any trading in the shares of the Company.

Holding Company

British American Tobacco (Investments) Limited incorporated in the United Kingdom holds 94.34% of the shares of the Company.

Consolidated Financial Statements

Consolidated Financial Statements of the Company and its wholly owned subsidiary, Phoenix (Pvt.) Ltd., are submitted herewith.

Environment, Health & Safety

The Company has always endeavoured to ensure that it adheres to world class Environment, Health and Safety (EHS) standards. We have established a culture where adherence to high EHS standards and looking for ways of continuous improvement in this area, are a way of life.

Our efforts are well recognized by our parent group as well as local and international accreditation agencies. Our parent group awarded us with the EHS Excellence Award for our Commercial Operations for significant reuse and recycling of advertising materials. Recognizing our commitment to preservation of the ecosystem, BAT declared PTC as the Regional Benchmark in Biodiversity for the Asia Pacific Region. The group also awarded us commendations for Carbon Footprint Reduction. We also qualified for the Gold Accident Free Award in 2010 for the 7th year in succession.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is embedded in all aspects of our business. We regularly engage with our stakeholders to further strengthen our credentials as a responsible

Corporate Social Responsibility (CSR) is embedded in all aspects of our business.

corporate member of the community we live in. In addition to ensuring that we operate responsibly, Pakistan Tobacco Company has endeavoured on a number of sustainable development and social welfare initiatives.

As a part of the afforestation program that began two decades ago, we distributed over 4 million saplings across the country including Islamabad, Khyber-Pakhtunkhwa and Punjab. We also collaborated with the National Highway Authority planting over 300,000 saplings along the M1 Motorway from Islamabad to Peshawar during 2010.

Despite difficult financial and operating environment, we continued to operate our Mobile Doctor Units and held Free medical camps in various remote areas of the country. Our efforts resulted in provision of free medical care facilities to over 94,000 patients during the year.

Living up to its reputation, Pakistan Tobacco Company was one of the first organisations to launch emergency relief response post floods. Our efforts included providing food packages and water purification tablets to the affectees. Our mobile doctor units were mobilized to administer typhoid vaccination. The Company also provided support to rehabilitate a number of houses damaged by the floods, and resettlement of the displaced people. The company has initiated a rehabilitation program whereby we provided support to over 10,000 of our trade partners in order to help them rebuild their livelihoods after floods.

We also embarked upon a project in collaboration with Australian Aid International to provide potable water, sanitation facilities and hygiene education to over 65,000 people in Thatta, Sindh. We are grateful to the Group and our colleagues from around the world for their monetary donations and moral support that has enabled us to expand our relief efforts.

Despite the financial challenges faced during the year, we invested Rs 109 Mn in CSR activities during 2010.

Business Challenges & Future Outlook

In an era of rising prices and low disposable incomes, illicit trade continues to flourish at the cost of legitimate players and Government revenues. The situation worsened in 2010 with the introduction of pictorial health warnings as the consumers shifted to freely available smuggled brands which do not comply with this regulation. Smuggled brands,, share thus increased exponentially which is another source of great concern to the legitimate industry.

Illicit trade is the single largest threat to the long term viability of the legitimate players and sustainable growth of Government revenues from Tobacco sector. The segment is expected to become a more serious concern in future due to their low prices and non conformity to regulations. Government needs to take urgent steps to arrest the growth of this menace, especially the smuggled brands, which are easily identifiable in the market because of their non compliance with the Pictorial Health Warning.

We remain committed to supporting the Government in its initiatives to curb illicit trade. We are part of various industry forums, committed to raise awareness about the threats posed by the illicit trade, with the trade bodies, law enforcement agencies and other key stakeholders However, without strict enforcement the illicit trade will continue to grow causing loss to the legitimate players as well as the Tax Payers.

Security continues to be a grave concern for us and all our stakeholders including our valued business partners. We remain committed to ensuring the safety and security of our staff and assets. Strong Business Continuity plans have also been put in place to ensure minimum business interruption in the case of any untoward incident.

The Directors,, are sincerely appreciative of the relentless effort of our employees and the undying support of our valued business partners. We derive immense strength from this support and will continue to leverage it to build a bright future for all of us.

The Directors are fully confident that your company has the competitive edge and has the right strategy in place for ensuring the long term and sustainable growth of the business.

Mueen Afzal
Chairman

Nicholas Stewart Hales
Managing Director and CEO

Statement of Value Generated & Distributed

	2010 Rs million	2009 Rs million
Generation		
Gross Revenues	60,279	57,874
Material, Services and Other Costs	15,610	13,762
	44,669	44,112
Distribution		
Employee Remuneration		
Government Levies	2,606	2,428
Dividends	40,205	37,863
Finance Cost	1,533	2,440
Corporate Social Responsibility	150	44
Retained within Business	88	28
	87	1,309
	44,669	44,112

Revenue Distribution in Percentage

Key
0.19% Retained within Business 0.20% Corporate Social Responsibility 0.34% Finance Cost 3.43% Dividends 90.01% Govt. Levies 5.83% Employees

Key
2.97% Retained within Business 0.06% Corporate Social Responsibility 0.10% Finance Cost 5.53% Dividends 85.83% Govt. Levies 5.50% Employees

Shareholding

Pattern of Shareholding as at December 31, 2010

Number of Shareholders	Categories				Total Shares
1,457	From	1	To	100	49,609
1,315	From	101	To	500	388,731
453	From	501	To	1,000	327,240
410	From	1,001	To	5,000	899,238
47	From	5,001	To	10,000	336,006
11	From	10,001	To	15,000	140,721
9	From	15,001	To	20,000	158,411
12	From	20,001	To	25,000	283,157
2	From	25,001	To	30,000	59,600
2	From	35,001	To	40,000	73,081
1	From	40,001	To	45,000	42,500
4	From	45,001	To	50,000	196,345
2	From	55,001	To	60,000	113,900
2	From	60,001	To	65,000	124,918
1	From	65,001	To	70,000	70,000
2	From	70,001	To	75,000	142,091
1	From	75,001	To	80,000	75,870
1	From	125,001	To	130,000	127,772
1	From	140,001	To	145,000	142,100
1	From	155,001	To	160,000	156,700
1	From	165,001	To	170,000	167,633
1	From	205,001	To	210,000	205,150
1	From	220,001	To	225,000	221,000
1	From	230,001	To	235,000	234,909
1	From	250,001	To	255,000	254,635
1	From	295,001	To	300,000	296,900
1	From	320,001	To	325,000	322,787
1	From	360,001	To	365,000	364,600
1	From	400,001	To	405,000	401,800
1	From	505,001	To	510,000	507,000
1	From	700,001	To	705,000	700,911
1	From	795,001	To	800,000	798,282
1	From	1,835,001	To	1,840,000	1,835,243
1	From	1,985,001	To	1,990,000	1,989,811
1	From	2,235,001	To	2,240,000	2,240,000
1	From	241,045,001	To	241,050,000	241,045,141
3,750					255,493,792

Pattern of Shareholding as at December 31, 2010

	No. of shares
Associated Companies, Undertakings and Related Parties	241,843,423
NIT and ICP	1,846,038
Directors, CEO and their spouses and minor children	12,274
Executives	34
Public Sector Companies and Corporations	700,911
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance companies, Modaraba and Mutual Funds	1,959,900
Others	5,257,787
Individuals	3,873,425
	255,493,792

Categories of Shareholders	Number	Shares Held	Percentage (%)
Directors, CEO and their spouse and minor children	8	12,274	0.0
Executives	3	34	0.0
Associated Companies, Undertakings and Related Parties	2	241,843,423	94.7
Investment Companies	2	1,846,038	0.7
Modarabas & Mutual Funds	3	221,272	0.1
Insurance Companies	7	1,021,516	0.4
Public Sector Companies and Corporations	1	700,911	0.3
Financial Institutions	15	717,112	0.3
Individuals	3,648	3,873,425	1.5
Others	61	5,257,787	2.1
Total	3,750	255,493,792	100.0

Associated Companies, Undertakings and Related Parties

British American Tobacco (Investments) Limited	241,045,141
Rothmans International	798,282

NIT and ICP (name wise details)

National Bank of Pakistan, Trustee Deptt.	1,835,758
Investment Corporation of Pakistan	10,280

	No. of shares
Directors, CEO, their spouses and minor children (namewise details)	
Mueen Afzal	2,124
Nicholas Stewart Hales	2,500
Mobasher Raza	2,500
Feroze Ahmed	2,000
Tajamal Shah	2,500
Syed Asif Shah	500
Ali Kuli Khan Khattak	100
Abid Niaz Hasan	50
Executives	
Awais Hussain Kazi	15
Mirza Zubair Ahmed	10
Shahid Yamin	9
Shareholders holding 10% or more voting interest	
British American Tobacco (Investments) Limited	241,045,141

Executive Committee of the Board; Board Compensation Committee; Audit Committee; Share Transfer Committee

Executive Committee of the Board (ExCo)

Executive Director
Mr. Nicholas Stewart Hales
Mr. Mobasher Raza
Mr. Ahmed Zeb
Mr. Feroze Ahmed
Mr. Tajamal Shah

Key Management Personnel
Mr. Shaiful Bahari Mahpar
Mr. Murali Thanabalan
Mr. Shehzad Munim
Ms. Ayesha Rafique (Secretary)

Board Compensation Committee (BCC)

Non-Executive Director
Mr. Mueen Afzal
Lt. Gen. (Retd) Ali Kuli Khan Khattak

Executive Director
Mr. Nicholas Stewart Hales

Key Management Personnel
Mr. Murali Thanabalan (Secretary)

Audit Committee (AC)

Non-Executive Director
Mr. Mueen Afzal
Lt. Gen. (Retd) Ali Kuli Khan Khattak
Mr. Abid Niaz Hasan
Syed Asif Shah

Other Management Personnel
Mr. Imad Rahman (Secretary)

Share Transfer Committee (STC)

Executive Director
Mr. Nicholas Stewart Hales
Mr. Mobasher Raza
Mr. Tajamal Shah

Key Management Personnel
Ms. Ayesha Rafique (Secretary)

Committees	Function
Executive Committee of the Board (ExCo)	The Executive Committee of the Board (ExCo) is the central working nucleus of the organisation. Comprising of Executive Directors and Head of the Departments of the Company, the ExCo drives to achieve the strategic targets set by the Board of Directors
Board Compensation Committee	The Committee is responsible to recommend to the Board the remuneration and benefits of Managing Director, Executives & Non-Executive Directors, Head of all functions, Chief Financial Officer, Company Secretary and Head of Internal Audit.
Audit Committee	The Audit Committee assists the Board of Directors in management of business risks, internal controls and the conduct of business in an economically sound and ethical manner and also in line with the Code of Corporate Governance principles. Audit Committee also reviews the Company„s Corporate Social Responsibility (CSR) initiatives and their alignment with Statement of Business Principles.
Share Transfer Committee	The Committee is responsible for dealing with the day to day matters relating to the shares of the Company.

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (Code) as per the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors At present the Board includes four independent Non-Executive Directors to protect the interests of the minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. In the last AGM held on 20th April, 2010, the number of Directors was reduced from 12 to 9. Accordingly, the following persons were elected as Directors for a period of three years commencing from 20th April, 2010:

- Mr. Mueen Afzal
- Mr. Nicholas Stewart Hales
- Mr. Mobasher Raza
- Mr. Ahmed Zeb
- Mr. Feroze Ahmed
- Mr. Tajamal Shah
- Lt. Gen. (Retd.) Ali Kuli Khan Khattak
- Mr. Abid Niaz Hasan and
- Syed Asif Shah

5. The Company has prepared a ,Standards of Business Conduct,,, which has been signed by all the directors, management and Business Support Officers of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

10. The directors,, report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises of four members, of whom all are non-executive directors including the chairman of the committee.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Board has set-up an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi Stock Exchange (Guarantee) Ltd.

20. We confirm that all other material principles contained in the Code have been complied with.

Nicholas Stewart Hales
Managing Director and CEO

Statement of Compliance with Best Practices on Transfer Pricing for the year ended December 31, 2010

The Company has fully complied with the Best Practices on Transfer Pricing as contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges.

Nicholas Stewart Hales
Managing Director and CEO

Review Report

Review Report to Members on the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Tobacco Company Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended Dec 31, 2010.

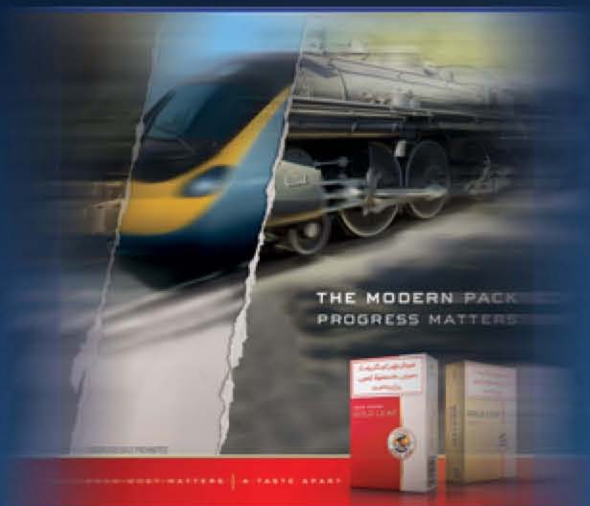
Chartered Accountants, Islamabad

Date: March 16, 2011

Engagement partner
Sohail M Khan

KNOW WHAT MATTERS

A TASTE APART



WHILE 2010 WAS A CHALLENGING YEAR FOR THE TOBACCO INDUSTRY, JOHN PLAYER GOLD LEAF STOOD TALL AGAINST ALL ODDS AND SUSTAINED ITS SALES VOLUME AND GREW MARKET SHARE.

THE RESOUNDING SUCCESS OF JOHN PLAYER GOLD LEAF NEW PACK LAUNCH IN 2009 WAS FOLLOWED BY A REINFORCEMENT CAMPAIGN IN THE FIRST HALF OF 2010 EMPHASIZING MODERNITY AND PROGRESSIVE CUES. THIS CAMPAIGN ROUNDED OFF ONE OF THE MOST SUCCESSFUL PACK CHANGE CAMPAIGNS IN THE HISTORY OF TOBACCO INDUSTRY IN PAKISTAN, ENABLING THE BRAND TO HOLD ITS CONSUMER BASE.

THE PRODUCT EXPERIENCE OF JOHN PLAYER GOLD LEAF WAS BROUGHT TO LIFE THROUGH INNOVATIVE EDUCATION AND INFORMATION SHARING WITH THE CONSUMER WHILE STAYING TRUE TO THE STANDING OF THE BRAND.

ALL CAMPAIGNS IN 2010 ENABLED JOHN PLAYER GOLD LEAF TO SUCCESSFULLY AND PROUDLY MAINTAIN ITS STATUS AS AN UNDISPUTED LEADER IN ITS PRICE SEGMENT.

MOVING FORWARD, JOHN PLAYER GOLD LEAF IS COMMITTED TO CONTINUE PROVIDING ITS CONSUMERS WITH HIGH-END QUALITY PRODUCT DRIVEN THROUGH EXPERTISE, INNOVATION AND HERITAGE.

KNOW WHAT MATTERS | A TASTE APART

UNDER AGE SALE PROHIBITED

خبردار: تمباکونوشی کینسراور دل کی
بیماریوں کا باعث ہے۔ وزارتِ صحت

GOLD FLAKE

گولڈ فلیک کے 100 سال

100

1911 سے سب کی پسند

Gold Flake exited 2010 as the biggest brand in the country with a December 2010 market share of 22.4% – hitting a century in style.

Amidst a challenging competitive landscape, aggressive plans were drawn to maintain the brand's leading share in the market. These included nationwide price communication supported by trade activities and brand campaigns which included two limited edition offers. One of the limited edition offer was dedicated to reinforce equity with the celebration of Gold Flake's 100 years of existence. This limited edition 'Celebration Pack' introduced numerous value adding packaging materials which were never before used in the local market. The celebration was further augmented with the introduction of attractive and unique touch points at retail level.

UNDER AGE SALE PROHIBITED

خبردار: تمباکو نوشی کینسر اور دل کی
بیماریوں کا باعث ہے۔ وزارتِ صحت

DUNHILL
SINCE 1907

Since 1907, DUNHILL has strived to perfect every aspect of the tobacco smoking experience and 2010 was no different. The brand delivered upon its promise by pursuing progressive prestige and credible superiority while defying convention. It was a year of spectacular growth for DUNHILL, where the brand sold more number of cigarette sticks than all of the previous years combined since launch.

During 2010, the brand was taken out of the periphery of urban metros and its distribution was extended to the top 21 markets across the country. All brand communication, including visibility enhancement initiatives and information sharing with the consumers through dialogue, was aligned to the privilege & exclusivity that the brand holds.

While 2010 has been an excellent year for DUNHILL, the stage is now all set for the brand to take-off in 2011

خبردار: تمباکو نوشی کینسر اور دل کی
بیماریوں کا باعث ہے - وزارتِ صحت

CAPSTAN
by PALL MALL
ORIGINAL

Capitalizing on PALL MALL's global heritage and expertise, CAPSTAN by PALL MALL launched its new variant "Original" in Pakistan (June 2010), providing consumers with a quality smoking experience at a great affordable price.

The launch campaign for CAPSTAN by PALL MALL Original is considered as one of the biggest in Pakistan's tobacco history. The campaign was followed by a steller 'Product Quality' campaign which facilitated in generating high brand awareness followed with a healthy trial – a great success indeed.

A number of "Big Ticket" projects were initiated aimed at enhancing the brand distribution footprint by leveraging the dynamics of various distribution channels. Within a span of six months, CAPSTAN by PALL MALL Original stands at 73% numeric and 86% weighted distribution.

CAPSTAN by Pall Mall Original put the finishing touch to a very successful 2010 by establishing itself as the fastest growing cigarette brand in Pakistan (5.4% CAGR, July-Dec 10). Sales figure for the brand stood at 6.7 billion sticks with an exit market share of 11.0% thus making CAPSTAN by PALL MALL Original the 3rd biggest brand in Pakistan's tobacco industry.

UNDER AGE SALE PROHIBITED

TRUSTED QUALITY ALWAYS

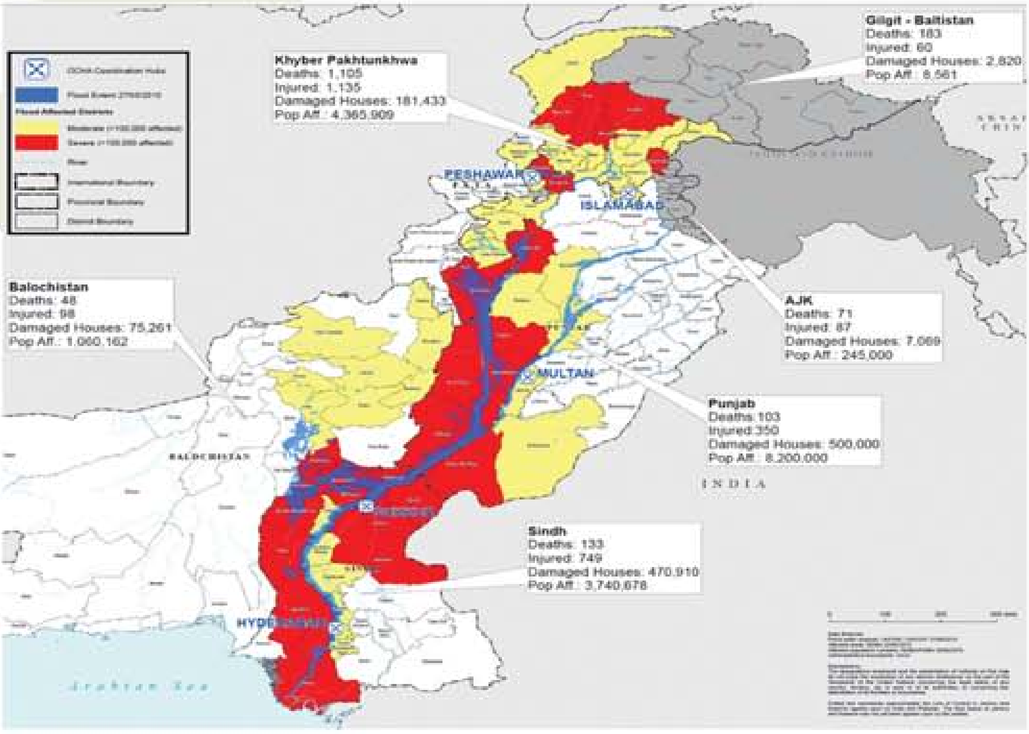
خبردار: تمباکونوشی کینسر اور دل کی
بیماریوں کا باعث ہے۔ وزارتِ صحت

PTC CONTRIBUTES TOWARDS FLOOD RELIEF

SPECIAL FEATURE

PTC extends assistance with persistence

Maintaining its previous record of fast response to natural disasters, PTC once again put together a relief and rehabilitation package for its employees in record time.



The Catastrophic Floods at a Glimpse

The summer of 2010 brought Pakistan's worst floods in 80 years. The flooding, which began with the arrival of annual monsoons, eventually affected about one-fifth of the country- nearly 62,000 square miles- an area greater than England. The number of people affected, who needed food, shelter, healthcare and clothing to face a harsh Pakistani winter, was in millions.

Rising Tides Struck PTC Employees

As Pakistani and international relief officials scrambled to extend relief to the flood affectees, PTC estimated that around 15,000 people related directly or indirectly to its operations, were among them. These people belonged to a wide-spread area spanning Khyber Pakhtunkhwa (KPK), Punjab and Sindh.

Pakistan Rises From Troubled Waters

EMERGENCY	R E C O	V E R Y	COMMUNITY
Essentials Food & Drinking Water for 15,000	**Rebuilding Damaged Homes** Assessment & Contribution		**WASH Project in Thatta, Sindh** Community Water Points 65,000 + People
Prevention Typhoid Vaccination		**Rehabilitation & Resettlement** Assessment & Contribution	Sanitation & Education 10,200 + Families

Phase I: Emergency Essentials and Disease Prevention

As soon as the floods hit KPK, PTC launched its emergency relief response. A project team was quickly put in place to deliver food packages and water purification tablets to all affected families. These packages catered for 10,000 people around the Akora Khattak Factory and 5,000 people in the flood-hit areas of Southern Punjab, Sindh & Balochistan. Simultaneously a vaccination campaign was also launched through a team of doctors and first aiders. The affected people belonging to PTC were vaccinated against typhoid, a potential danger in the flood-hit areas.

Phase II: Rebuilding Damaged Homes

After the initial relief phase was over, it was time to start rehabilitation efforts to help resettle our people. A rehabilitation assessment team was set up to identify damaged homes belonging to the permanent employees of PTC. Through a detailed assessment, more than 150 houses were assessed out of which 99 houses qualified for the rehabilitation money donated by PTC. Around 70% of the total assessed value of each house was given to the employees.

Phase III: Resettlement of Employees

Next, PTC identified all those employees who needed help for resettlement as some had left their existing homes and others had to rent new premises. Based on this, 329 people qualified: 301 in KPK and 28 in Punjab, Sindh & Balochistan and North regions. All these people were given a one time resettlement allowance.

Phase IV: Community Rehabilitation

BAT's contribution from around the world enabled us to reach out to the vulnerable communities with WASH (Water, Sanitation and Hygiene) project in District Thatta, one of the worst hit and most neglected parts of the country.

Pakistan Rises From Troubled Waters

The financial help received from BAT plc, other BAT companies and employees around the globe has made this project possible.
This was launched in collaboration with Australian Aid International and it focused on those affected people who had no access to safe drinking water or basic sanitary provisions. Besides that, their lack of understanding of basic hygiene practices also lead to hygiene and health awareness session for the community.

Key deliverables of this project are:

Over 65,000 affected people have access to safe drinking water through restoration of damaged and installaton of new water points, shallow water hand pumps, provision of buckets, jerry cans and water purification tablets.

Over 10,200 affected families educated with simple messages on safe drinking water and appropriate hygiene practices. Family hygiene kits distributed to the most needy families.

Rehabilitaton of three primary schools benefiting over 300 students.

In addition to the above, the following were also part of the overall Flood Relief efforts:

Project Sahara (Sahara means 'support' in Urdu)

Under this project, PTC helped its trading and retailing partners in the 73 flood affected markets. Around 10,000 rural and urban outlets were covered through trade offers for all. Merchandising support was also extended to the worst hit 3,000 outlets. On top of that, a Rs. 1,000 incentive was offered to the salesmen in the affected markets for the month of September, 2010.

PAKISTAN TOBACCO COMPANY

Pakistan Tobacco Company Limited.
Silver Square, Plot No. 15
F-11 Markaz, P.O.Box 2549
Islamabad 44000

www.ptc.com.pk

DESIGN: EE&T|**THE D'HAMIDI PARTNERSHIP**:ADVERTISING

Financial Statements

for the year ended December 31, 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Tobacco Company Limited as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2010 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance..

Chartered Accountants
Islamabad
Date: March 16, 2011
Engagement partner: **Sohail M Khan**

Profit and Loss Account for the year ended December 31, 2010

	Note	2010 Rs '000	2009 Rs '000
Gross turnover		60,195,535	57,544,309
Excise duties		(30,476,421)	(27,654,345)
Sales tax		(8,766,485)	(8,223,439)
Net turnover		20,952,629	21,666,525
Cost of sales	7	(14,747,717)	(13,442,066)
Gross profit		6,204,912	8,224,459
Selling and distribution expenses	8	(3,279,390)	(2,246,014)
Administrative expenses	9	(1,233,165)	(1,100,814)
Other operating expenses	10	(208,211)	(514,665)
Other operating income	11	46,610	226,499
		(4,674,156)	(3,634,994)
Operating profit		1,530,756	4,589,465
Finance income		36,933	102,826
Finance cost		(149,680)	(43,802)
Net finance (cost) / income		(112,747)	59,024
Profit before income tax		1,418,009	4,648,489
Income tax expense	12	(492,909)	(1,626,083)
Profit for the year		925,100	3,022,406
Earnings per share - (Rupees)	13	3.62	11.83

The annexed notes 1 to 34 form an integral part of these financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Statement of Comprehensive Income for the year ended December 31, 2010

	Note	2010 Rs '000	2009 Rs '000
Profit for the year		925,100	3,022,406
Other comprehensive (loss) / income for the year:			
Actuarial (losses) / gains on defined benefit pension and gratuity plans	27	(77,360)	106,865
Tax credit / (charge) related to actuarial (losses) / gains on defined benefit pension and gratuity plans	12	27,076	(37,402)
Other comprehensive (loss) / income for the year - net of tax		(50,284)	69,463
Total comprehensive income for the year		874,816	3,091,869

The annexed notes 1 to 34 form an integral part of these financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Balance Sheet
as at December 31, 2010

	Note	2010 Rs '000	2009 Rs '000
Non current assets			
Property, Plant and Equipment	15	5,823,688	5,952,108
Long term investment in subsidiary company	16	5,000	5,000
Long Term Loans	17	3,417	7,310
Long Term Deposits and Prepayments	18	15,375	19,915
Current assets			
Stock-in-trade	19	6,002,823	5,765,367
Stores and spares	20	199,207	218,375
Trade debts	21	1,597	1,684
Loans and advances	22	48,267	48,598
Short term prepayments		118,329	72,483
Other receivables	23	93,546	88,147
Income tax paid in advance		15,206	-
Cash and bank balances	24	51,945	47,874
		6,530,920	6,242,528
Current liabilities			
Trade and other payables	25	5,339,725	5,037,469
Accrued interest / mark-up		46,789	27,659
Short term running finance	26	2,252,218	1,300,837
Current income tax liability		-	490,815
		7,638,732	6,856,780
Net current liabilities		(1,107,812)	(614,252)
Non current liabilities			
Deferred income tax liability	28	(1,137,581)	(1,109,847)
Net assets		3,602,087	4,260,234
Share capital and reserves			
Share capital	29	2,554,938	2,554,938
Revenue reserves		1,047,149	1,705,296
		3,602,087	4,260,234
Contingencies and commitments	30		

The annexed notes 1 to 34 form an integral part of these financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Cash Flow Statement
for the year ended December 31, 2010

	2010 Rs '000	2009 Rs '000
Cash flows from operating activities		
Cash receipts from customers	60,262,561	57,548,393
Cash paid to Government for Federal excise duty, Sales tax and other levies	(39,535,501)	(35,968,367)
Cash paid to suppliers	(15,256,590)	(14,063,572)
Finance cost paid	(130,550)	(26,497)
Cash paid as royalty	(342,276)	(328,191)
Cash paid to employees and retirement funds	(2,743,686)	(3,076,180)
Income tax paid	(944,120)	(1,202,945)
Other cash payments	(160,938)	(337,273)
	1,148,900	2,545,368
Cash flows from investing activities		
Additions in property, plant and equipment	(645,833)	(1,044,938)
Proceeds from disposal of property, plant and equipment	43,952	82,423
Finance income received	36,933	102,826
	(564,948)	(859,689)
Cash flows from financing activities		
Dividends paid	(1,531,262)	(2,435,417)
Decrease in cash and cash equivalents	(947,310)	(749,738)
Cash and cash equivalents at beginning of year	(1,252,963)	(503,225)
Cash and cash equivalents at end of year	(2,200,273)	(1,252,963)
Cash and cash equivalents comprise:		
Cash and bank balances	51,945	47,874
Short term running finance	(2,252,218)	(1,300,837)
	(2,200,273)	(1,252,963)

The annexed notes 1 to 34 form an integral part of these financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Statement of Changes in Equity as at December 31, 2010

	Share Capital Rs '000	Revenue Reserves Rs '000	Total Rs '000
Balance at January 1, 2009	2,554,938	1,053,393	3,608,331
Comprehensive income:			
Profit for the year	-	3,022,406	3,022,406
Other comprehensive income for the year	-	69,463	69,463
Total Comprehensive income for the year	-	3,091,869	3,091,869
Transactions with owners:			
Final dividend of Rs 2.30 per share relating to the year ended December 31, 2008	-	(587,636)	(587,636)
1st Interim dividend of Rs 1.75 per share relating to the year ended December 31, 2009	-	(447,114)	(447,114)
2nd Interim dividend of Rs 2.75 per share relating to the year ended December 31, 2009	-	(702,608)	(702,608)
3rd Interim dividend of Rs 2.75 per share relating to the year ended December 31, 2009	-	(702,608)	(702,608)
Total transactions with owners	-	(2,439,966)	(2,439,966)
Balance at December 31, 2009	2,554,938	1,705,296	4,260,234
Balance at January 1, 2010	2,554,938	1,705,296	4,260,234
Comprehensive income:			
Profit for the year	-	925,100	925,100
Other comprehensive loss for the year	-	(50,284)	(50,284)
Total Comprehensive income for the year	-	874,816	874,816
Transactions with owners:			
Final dividend of Rs 4.75 per share relating to the year ended December 31, 2009	-	(1,213,596)	(1,213,596)
1st Interim dividend of Rs 1.25 per share relating to the year ended December 31, 2010	-	(319,367)	(319,367)
Total transactions with owners	-	(1,532,963)	(1,532,963)
Balance at December 31, 2010	2,554,938	1,047,149	3,602,087

The annexed notes 1 to 34 form an integral part of these financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Notes to and forming part of the Financial Statements for the year ended December 31, 2010

1. The Company and its operations

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18,1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Silver Square, Plot No.15, F-11 Markaz, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

2. Statement of compliance

These are separate financial statements of the Company. These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984 (the Ordinance), and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company„s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

3. New and amended standards and interpretations

New standards, amendments and interpretations that have been issued but not yet effective and not early adopted by the Company

		Effective for periods beginning on or after
IFRS 3	Business Combinations	July 1, 2010
IFRS 7	Financial Instruments: Disclosures	July 1, 2011
IFRS 9	Financial Instruments	January 1, 2013
IAS 1	Presentation of Financial Statements	January 1, 2011
IAS 24	Related Party Disclosures (revised 2009)	January 1, 2011
IAS 27	Consolidated and Separate Financial Statements	July 1, 2010
IAS 32	Financial Instruments: Presentation - Classification of rights issues	February 1, 2010
IAS 34	Interim Financial Reporting	January 1, 2011
IFRIC 13	Customer Loyalty Programmes	January 1, 2011
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The above standards, amendments and interpretations where applicable, are not expected to have any material impact on the Company's financial statements.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies notes.

4.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the board of directors that makes strategic decisions.

4.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan rupee (Rs).

4.4 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the profit and loss account.

4.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Company's activities as described below.

(a) Sale of goods

The Company manufactures and sells cigarettes to its appointed distributors. Sales of goods are recognized when the Company has delivered products to the distributor and there is no unfulfilled obligation that could affect the distributor„s acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Where goods are sold together with a customer loyalty incentive, the arrangement is a multiple element arrangement and the consideration from the customer is allocated between the components of the arrangement and related revenue is deferred until such time as the award credits are redeemed.

(b) Income on bank deposits

Income on bank deposits is accounted for on the time proportion basis using the applicable rate of return.

(c) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts. All other income is recognized on accrual basis.

4.6 Taxation

The tax expense for the year comprises current and deferred income tax, and is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in the equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount could be reliably estimated. Provisions are not recognized for future operating losses.

All provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.8 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes virtually certain.

4.9 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

4.10 Employee benefits

(a) Retirement benefit plans

The Company operates various retirement benefit schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations or upto the limit allowed in terms of the Income Tax Ordinance, 2001. The Company has both defined contribution and defined benefit plans.

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate fund. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company operates:

(i) Defined benefit, approved funded pension scheme for management and certain grades of business support officers and approved gratuity scheme for all employees. Employees also contribute to the approved pension scheme. The liability recognized in the balance sheet in respect of pension and gratuity plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(ii) Approved contributory provident fund for all employees administered by trustees and approved contributory pension fund for the new joiners. The contributions of the Company are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Medical benefits

The Company maintains a health insurance policy for its entitled employees and pensioners and their respective spouses. The Company contributes premium to the policy annually. Such premium is recognised as an expense in the profit and loss account.

(d) Bonus plans

(i) The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company,s shareholders after certain adjustments and performance targets. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) The Company also operates a deferred bonus plan for certain eligible management staff members. These benefits are usually paid after 3 years from the date of grant of such an award unless otherwise authorized by the Compensation Committee of the Board of Directors. The obligation for these payments is recognised in the profit and loss account on a straight line basis to allocate the expected award amount over the term of the award.

4.11 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight-line basis over the period of the lease.

4.12 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land and capital work in progress which are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit and loss account during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives at the following annual rates:

Buildings on free-hold land, buildings on leasehold land and private railway sidings	3%
Plant and machinery	7%
Air conditioners included in plant and machinery	25%
Office and household equipment	20% to 25%
Furniture and fittings	10% to 20%
Vehicles	25%

Depreciation on additions and deletions during the year is charged on a pro rata basis from the month when asset is put into use or up to the month when asset is disposed/written off.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of operating fixed assets are recognized in profit and loss account.

4.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset,s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss is restricted to the original cost of the asset. An impairment loss or reversal of impairment loss is recognised in the profit and loss account.

4.14 Long term investment in subsidiary company

The investment in subsidiary company is carried at cost less impairment losses. The profit and loss of the subsidiary company is carried in the financial statements of the subsidiary company and is not dealt with for the purpose of the separate financial statements of the Company except to the extent of dividend declared (if any) by the subsidiary company.

4.15 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and costs necessary to be incurred to make the sale.

4.16 Stores and spares

Stores and spares are stated at lower of cost and net realizable value. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred upto the balance sheet date.

4.17 Financial assets

4.17.1 Classification

The Company classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Held to maturity

A financial asset is classified in this category if acquired by the Company with the intention and ability to hold them upto maturity.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company„s loans and receivables comprise trade debts, loans and advances, other receivables and cash and bank balances.

(iii) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

4.17.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date fi the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‚financial assets at fair value through profit or loss„ category are recognized in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company„s right to receive payments is established.

4.17.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‚loss event„) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.18 Trade debts

Trade debts are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is doubtful. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to profit and loss account.

4.21 Dividend distribution

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

4.22 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

5. Financial risk management

5.1 Financial risk factors

The Company„s activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company„s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Treasury Sub Committee (the Committee) under policies approved by the board of directors (the Board). The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Great Britain Pound Sterling (GBP) and the Euro. Currently, the Company„s foreign exchange risk exposure is restricted to bank balances, the amounts receivable/payable from/to the foreign entities and outstanding letters of credit.

Financial assets include Rs 61,018 thousand (2009: 35,276 thousand) and financial liabilities include Rs 159,402 thousand (2009: 196,005 thousand) which were subject to foreign exchange risk.

At December 31 2010, if the functional currency had weakened/strengthened by 10% against foreign currencies, with all other variables held constant, the profit after taxation for the year would have been lower/higher by Rs 6.41 million (2009: Rs 10.45 million).

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to fair value interest rate risk as it does not hold any fixed rate instruments.

The Company has no significant long-term interest-bearing assets or liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 2,252,218 thousand (2009: Rs 1,300,837 thousand) which are subject to interest rate risk. Applicable interest rates for financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables held constant, profit after taxation for the year would have been Rs 14.64 million (2009: Rs 8.46 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from trade debts, loans and advances, other receivables and deposits with banks. The table below shows bank balances held with counterparties at the balance sheet date.

	Rating		Rating Agency	Rs (million)	
Counterparty	Short term	Long term		2010	2009
MCB Bank Limited	A1+	AA+	PACRA	16.32	17.03
Citibank N.A.	P-1	A1	Moody's	20.02	12.77
Deutsche Bank AG	P-1	Aa3	Moody's	11.12	15.80
Barclays Bank p.l.c	P-1	Aa3	Moody's	1.10	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	1.99	0.90
National Bank of Pakistan	A-1+	AAA	JCR-VIS	0.63	0.73
				51.18	47.23

Trade debts, loans and advances and other receivables amounting to Rs 157.37 million (2009: Rs 160.96 million) do not include any amounts which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2010, the Company had Rs 3,098 million unutilised borrowing facilities from financial institutions and Rs 52 million cash and bank balances. Further, the Company also has strong financial support from its holding company. Based on the above, in spite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low.

5.2 Capital risk management

The Company's objectives when managing capital risks are to safeguard the Company„s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

5.3 Fair value estimation

The carrying values of financial instruments approximate their fair values.

6. Critical accounting estimates and judgements

(a) Income taxes

The Company recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined. Deferred income tax (note 4.6) is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

(b) Retirement benefits

Actuarial valuation of gratuity and pension contributions (note 4.10) requires use of certain assumptions related to future periods including increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(c) Property, plant and equipment

The Company reviews useful life and residual value of property, plant and equipment (note 4.12) on regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

	2010 Rs '000	2009 Rs '000
7. Cost of sales		
Raw material consumed		
Opening stock of raw materials and work in process	4,915,788	3,574,582
Raw material purchases and expenses - note 7.1	11,436,719	11,789,122
Closing stock of raw materials and work in process	(5,318,558)	(4,915,788)
	11,033,949	10,447,916
Government taxes and levies		
Customs duty and surcharges	374,090	459,905
Provincial and municipal taxes and other duties	115,502	104,546
Excise duty on royalty	34,534	29,242
	524,126	593,693
	11,558,075	11,041,609
Royalty	345,340	331,902
Production overheads		
Salaries, wages and benefits	1,206,280	1,068,601
Stores, spares and machine repairs	351,581	405,709
Fuel and power	312,685	243,909
Insurance	25,445	22,091
Repairs and maintenance	120,481	92,755
Postage, telephone and stationery	12,152	10,189
Information technology	73,277	60,760
Depreciation	498,768	452,019
Stock written off	18,176	3,225
Provision for stock	-	20,533
Stores and spares written off	9,578	10,002
Sundries	50,565	43,860
	2,678,988	2,433,653
Cost of goods manufactured	14,582,403	13,807,164
Cost of finished goods		
Opening stock	849,579	484,481
Closing stock	(684,265)	(849,579)
	165,314	(365,098)
Cost of sales	14,747,717	13,442,066

	2010 Rs '000	2009 Rs '000
7.1 Raw material purchases and expenses		
Materials	10,525,185	10,954,093
Salaries, wages and benefits	421,119	385,584
Stores, spares and machine repairs	175,538	158,645
Fuel and power	100,181	102,131
Property rentals	39,827	30,677
Insurance	2,231	2,511
Repairs and maintenance	9,675	1,110
Postage, telephone and stationery	4,791	5,199
Depreciation	103,297	99,677
Sundries	54,875	49,495
	11,436,719	11,789,122

	2010 Rs '000	2009 Rs '000
8. Selling and distribution expenses		
Salaries, wages and benefits	363,931	368,604
Selling expenses	2,473,812	1,503,693
Freight	235,187	206,820
Repairs and maintenance	88,974	73,245
Postage, telephone and stationery	7,937	7,401
Travelling	46,520	32,905
Property rentals	7,180	7,717
Insurance	7,960	7,579
Stock written off	2,318	351
Depreciation	45,571	37,699
	3,279,390	2,246,014
9. Administrative expenses		
Salaries, wages and benefits	614,252	604,903
Fuel and power	20,651	12,802
Property rentals	79,334	83,547
Insurance	5,261	4,069
Repairs and maintenance	51,916	40,731
Postage, telephone and stationery	17,340	13,922
Legal and professional charges	19,179	14,644
Donations - note 9.1	42,614	7,010
Information technology	152,210	135,568
Travelling	83,131	61,042
Depreciation	97,208	67,369
Auditor's remuneration and expenses - note 9.2	7,969	7,090
Sundries	42,100	48,117
	1,233,165	1,100,814

9.1 This includes an amount of Rs 42,164 thousand (2009:Nil) paid to Gottfried Thoma - PTC Employees Benevolent Trust. None of the directors and their spouses had any interest in any of the donees during the year.

9.2 Auditor's remuneration and expenses include:		
- Statutory audit fee	1,177	1,070
- Group reporting, special certifications, audit of consolidated accounts, staff retirement benefit funds and review of half yearly accounts	2,580	2,410
- Tax services	3,886	3,276
- Out-of-pocket expenses	326	334
	7,969	7,090

	2010 Rs '000	2009 Rs '000
10. Other operating expenses		
Workers' Profit Participation Fund	76,125	249,650
Workers' Welfare Fund	28,360	94,867
Bank charges and fees	38,800	34,317
Provision for potential contractual obligation	53,000	-
Restructuring cost	4,332	5,322
Security deposit written off	4,020	-
Other receivable written off	1,193	-
Foreign exchange loss	2,215	480
Interest on Workers' Profit Participation Fund	166	162
Head Office relocation expenses	-	123,583
Receivable from BAT Bangladesh written off	-	6,284
	208,211	514,665
11. Other operating income		
Gain on disposal of operating fixed assets	14,543	46,599
Income from associated company	22,536	20,540
Insurance claim for Evacuee Trust damages	-	135,694
Insurance refund and material claim	-	16,808
Miscellaneous	9,531	6,858
	46,610	226,499
12. Income tax expense		
Current	465,175	1,603,302
Deferred	27,734	22,781
	492,909	1,626,083

12.1 Effective tax rate reconciliation:

Numerical reconciliation between the average effective income tax rate and applicable income tax rate is as follows:

	2010 %	2009 %
Applicable tax rate	35.00	35.00
Tax effect of:		
Inadmissible expenses	0.17	0.05
Income taxed at different rate	(0.37)	(0.11)
Others	(0.04)	0.04
Average effective tax rate	34.76	34.98

	2010 Rs '000	2009 Rs '000
12.2 Tax on items directly charged / (credited) to statement of comprehensive income		
Current tax credit on defined benefit plans	(27,076)	(212,725)
Deferred tax charge on defined benefit plans	-	250,127
	(27,076)	37,402
13. Earnings per share		
Profit after tax (Rs '000)	925,100	3,022,406
Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
Earnings per share - Basic (Rs)	3.62	11.83

There is no dilutive effect on the basic earnings per share of the Company.

14. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to Chief Executive, Executive Directors and Executives are as follows:-

	Chief Executive		Executive Directors		Executives				Total	
					*Key Management Personnel		Other Executives			
	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000
Managerial remuneration	55,817	45,178	58,966	61,551	170,207	97,952	379,637	326,558	664,627	531,239
Corporate bonus	8,142	9,917	70,529	45,389	72,760	77,014	58,082	90,654	209,513	222,974
Leave fare assistance	3,073	1,122	3,937	1,259	4,251	3,982	3,739	3,873	15,000	10,236
Housing and utilities	7,773	7,211	13,454	13,958	43,321	31,949	163,442	142,392	227,990	195,510
Medical expenses	3	102	1,191	3,612	7,888	6,838	19,343	21,661	28,425	32,213
Post employment benefits	9,194	11,359	7,168	15,603	31,064	39,620	79,599	157,233	127,025	223,815
	84,002	74,889	155,245	141,372	329,491	257,355	703,842	742,371	1,272,580	1,215,987
Number of persons	1	1	5	5	32	24	286	243	324	273

14.1 The Company, in certain cases, also provides individuals with the use of company accommodation, cars and household items, in accordance with their entitlements.

14.2 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to six (2009: six) non-executive directors of the Company amounted to Rs 4,935 thousand (2009: Rs 3,364 thousand).

15. Property, plant and equipment

	2010 Rs '000	2009 Rs '000
Operating assets - note 15.1	5,621,915	5,483,038
Capital work in progress - note 15.2	201,773	469,070
	5,823,688	5,952,108

15.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Buildings on leasehold land Rs '000	Private railway sidings Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles Rs '000	Total Rs '000
At January 1, 2009									
Cost	6,834	518,894	25,712	349	7,371,451	366,904	27,063	596,634	8,913,841
Accumulated depreciation	-	(129,019)	(14,017)	(323)	(2,777,132)	(220,247)	(20,479)	(339,707)	(3,500,924)
Net book amount at January 1, 2009	6,834	389,875	11,695	26	4,594,319	146,657	6,584	256,927	5,412,917
Year ended December 31, 2009									
Net book amount at January 1, 2009	6,834	389,875	11,695	26	4,594,319	146,657	6,584	256,927	5,412,917
Additions	-	3,403	-	-	416,114	133,842	71,312	138,038	762,709
Disposals	-	-	-	-	(7,335)	(6,625)	(1,530)	(20,334)	(35,824)
Depreciation charge	-	(15,100)	(457)	-	(495,473)	(49,029)	(3,369)	(93,336)	(656,764)
Net book amount at December 31, 2009	6,834	378,178	11,238	26	4,507,625	224,845	72,997	281,295	5,483,038
At January 1, 2010									
Cost	6,834	522,297	25,712	349	7,751,713	451,141	83,377	613,930	9,455,353
Accumulated Depreciation	-	(144,119)	(14,474)	(323)	(3,244,088)	(226,296)	(10,380)	(332,635)	(3,972,315)
Net book amount January 1, 2010	6,834	378,178	11,238	26	4,507,625	224,845	72,997	281,295	5,483,038
Year ended December 31, 2010									
Net book amount at January 1, 2010	6,834	378,178	11,238	26	4,507,625	224,845	72,997	281,295	5,483,038
Additions	-	38,330	-	-	562,349	113,747	11,885	186,819	913,130
Disposals	-	-	-	-	(8,031)	(5,689)	(4)	(15,685)	(29,409)
Depreciation charge	-	(15,330)	(435)	-	(534,902)	(64,703)	(11,830)	(117,644)	(744,844)
Net book amount at December 31, 2010	6,834	401,178	10,803	26	4,527,041	268,200	73,048	334,785	5,621,915
At December 31, 2010									
Cost	6,834	560,627	25,712	349	8,283,622	523,704	95,224	724,401	10,220,473
Accumulated depreciation	-	(159,449)	(14,909)	(323)	(3,756,581)	(255,504)	(22,176)	(389,616)	(4,598,558)
Net book amount at December 31, 2010	6,834	401,178	10,803	26	4,527,041	268,200	73,048	334,785	5,621,915

	2010 Rs '000	2009 Rs '000
15.2 Capital work in progress		
Plant and machinery	186,144	413,708
Advances to suppliers	15,629	55,362
	201,773	469,070
15.3 Depreciation charge has been allocated as follows:		
Cost of sales	498,768	452,019
Raw material purchases and expenses	103,297	99,677
Selling and distribution expenses	45,571	37,699
Administrative expenses	97,208	67,369
	744,844	656,764

15.4 Details of property, plant and equipment disposals, having book value of Rs 50,000 or more are as follows:

	Original cost Rs '000	Book value Rs '000	Sale proceeds Rs '000	Particulars of buyers
Office and household equipment				
- by auction	519	52	50	Bahadur Khan & Co - Nowshera
- by insurance claim	334	122	580	EFU General Insurance Limited
- as per Company's policy	127	76	78	Manjula Karaliyadde - Employee
Computer equipment				
- by auction	2,362	236	73	Fahim Khan - Nowshera
- by insurance claim	535	375	806	EFU General Insurance Limited
Vehicles				
- as per Company's policy	746	75	75	Nadeem Aqeel Butt - Employee
	758	76	76	Nafees Malik - Employee
	801	80	80	Ahmed Zeb - Employee
	835	83	83	Basit Ali Khan - Employee
	835	83	83	Mian Waqar-ud-Din - Employee
	835	83	83	Mirza Zubair Ahmed - Employee
	835	83	83	Nubair Misbah - Employee
	845	84	262	Nasir Ali Khan - Ex Employee
	885	88	88	Anwar Sadiq Malik - Employee
	885	88	88	Imran Rawn - Employee
	885	88	88	Naseer Khan - Employee
	885	88	88	Nauman Saeed - Employee
	980	265	484	Nisar Hussain - Ex Employee
	980	184	384	Muhammad Asim - Employee
	980	143	374	Shahzeb Malik - Employee
	981	511	582	S.Muhammad Ali Abrar - Employee
	1,005	251	485	Manzar Ejaz Rana - Employee
	1,039	104	104	Jamshed Inam - Employee
	1,039	104	104	Talat Mahmood - Employee
	1,039	104	104	Turab Ali Khan - Employee
	1,056	106	131	Faisal Saif - Employee
	1,309	131	561	M. Khurram Shahzad - Employee
	1,309	218	546	Syed Nasir Shams - Employee
	1,309	131	131	Syed Qaiser Imam - Employee
	1,328	913	1,033	Nadia Javed - Employee
	1,337	752	832	Fahim Ashraf - Employee
	1,354	959	1,084	Munir Ratani - Employee
	1,370	314	612	Muhammad Ibrahim - Employee
	1,389	781	973	Muhammad Khosa - Ex Employee
	2,750	917	1,674	Zafar Aslam Khan - Employee
	3,949	2,139	2,868	Atif Hasan - Employee
	4,799	480	480	Ahmed Zeb - Employee
	5,400	1,350	2,909	Naveed Aftab - Ex Employee

	Original cost Rs '000	Book value Rs '000	Sale proceeds Rs '000	Particulars of buyers
- by auction	604	60	505	Mustaqim Khan - Karachi
	739	74	181	Shahid ullah Khan - Charsadda
	746	75	892	Fayyaz Ahmed - Rawalpindi
	746	75	661	Khurram Mahboob - Rawalpindi
	757	76	936	Syed Riaz Ahmed - Karachi
	849	85	629	Rizwan Mazhar - Rawalpindi
	849	85	850	Wazir Muhammad - Karachi
	857	86	554	Naveed Hussain - Islamabad
	857	86	532	Tanveer Ahmad - Islamabad
	860	86	816	Muhammad Javed - Karachi
	879	88	826	Nouman Ahmed - Karachi
	1,024	102	928	Khurram Mahboob - Rawalpindi
	1,024	102	903	Shahid ullah Khan - Charsadda
	1,024	102	960	Taimur Liaqat - Rawalpindi
	1,024	102	935	Waheed Ahmed - Islamabad
	1,156	116	1,040	Liaqat Ali - Rawalpindi
	1,286	129	651	Muhammad Naseer Khan - Karachi
	4,355	436	1,810	Aurangzeb Khan - Islamabad
- by insurance claim	63	51	63	New Hampshire Insurance Company
	83	78	82	-do-
	618	62	490	-do-
	999	604	660	-do-
	1,056	106	1,290	-do-
	73,064	15,583	36,413	

16. Long term investment in subsidiary company - at cost

This represents 500,001 (2009: 500,001) fully paid ordinary shares of Rs 10 each in Phoenix (Private) Limited. The break up value of shares calculated by reference to net assets worked out to be Rs 10 per share (2009: Rs 10 per share) based on audited accounts for the year ended December 31, 2010.

This is a wholly owned subsidiary of Pakistan Tobacco Company Limited which has not yet commenced commercial production.

	2010 Rs '000	2009 Rs '000
17. Long term loans - unsecured, considered good		
Related parties		
Key management personnel	452	487
Others		
Executives	3,817	6,629
Other employees	1,698	4,313
	5,515	10,942
	5,967	11,429
Less: Receivable within one year	2,550	4,119
	3,417	7,310

17.1 Reconciliation of loans:

	Executives				Other employees		Total	
	Key management personnel		Other executives					
	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000
Balance as at January 1	487	524	6,629	8,590	4,313	4,780	11,429	13,894
Disbursements	-	-	-	2,410	-	2,775	-	5,185
Repayments	35	37	2,812	4,371	2,615	3,242	5,462	7,650
Balance as at December 31	452	487	3,817	6,629	1,698	4,313	5,967	11,429

The above comprises interest free loans for purchase of household furniture, appliances, cars and motorcycles and are repayable over 5 to 10 years in equal monthly instalments.

17.2 The maximum amount due from the key management personnel and other executives at the end of any month during the year was:

	2010 Rs '000	2009 Rs '000
Key management personnel	651	630
Other executives	7,256	8,819
	7,907	9,449

		2010 Rs '000	2009 Rs '000
18.	**Long term deposits and prepayments**		
	Security deposits	10,540	15,219
	Prepayments	4,835	4,696
		15,375	19,915
19.	**Stock-in-trade**		
	Raw materials	5,130,471	4,679,602
	Raw materials in transit	144,924	219,120
	Work in process	43,163	37,599
	Finished goods	684,265	849,579
		6,002,823	5,785,900
	Provision for damaged raw materials	-	(20,533)
		6,002,823	5,765,367
20.	**Stores and spares**		
	Stores	1,506	1,656
	Machine spares	197,701	214,025
	Machine spares in transit	-	2,694
		199,207	218,375
21.	**Trade debts**		
	Considered good	1,597	1,684
	Considered doubtful	2,322	2,405
		3,919	4,089
	Provision for doubtful debts	(2,322)	(2,405)
		1,597	1,684
22.	**Loans and advances - unsecured, considered good**		
	Related parties		
	Loans to key management personnel - note 17	113	141
	Advances due from key management personnel	3,208	1,192
	Others		
	Loans to executives and other employees - note 17	2,437	3,978
	Advances due from executives and other employees - note 22.1	25,910	24,107
	Advances due from others	16,599	19,180
		48,267	48,598

22.1 Includes Rs 17,662 thousand (2009: Rs 13,847 thousand) due from executives of the Company.

	2010 Rs '000	2009 Rs '000

23. Other receivables

	2010 Rs '000	2009 Rs '000
Related parties - unsecured		
Due from holding company / associated companies - note 23.1	39,221	21,336
Due from subsidiary company	20,021	20,021
Management Provident Fund	7,406	-
Employees' Provident Fund	2,013	3,241
Others		
Claims	18,067	26,634
Workers' Profit Participation Fund	1,875	-
Margin against guarantees	-	6,617
Others	4,943	10,298
	93,546	88,147

23.1 The amount due from holding company / associated companies comprises:

	2010 Rs '000	2009 Rs '000
Holding Company		
British American Tobacco p.l.c. - UK	2,513	5,796
Associated Companies		
BAT Marketing (Singapore) Ltd	16,949	849
BAT SAA Services (Private) Limited - Pakistan	12,918	9,785
BAT Vietnam Ltd - Vietnam	2,246	640
BAT Asia-Pacific Region Ltd - Hong Kong	1,683	-
BAT Aspac Service Centre - Malaysia	670	-
BAT (Singapore) Pte Ltd - Singapore	589	258
BAT Western Europe Area - Netherland	583	1,190
BAT (Taiwan) Ltd - Taiwan	289	306
BAT Equatorial Africa Area Ltd - Kenya	273	626
BAT Australia Ltd EFT - Australia	196	-
BAT Egypt - Egypt	187	-
BAT (Malaysia) Berhad - Malaysia	125	-
Ceylon Tobacco Company Plc - Sri Lanka	-	627
PT BAT Indonesia Tbk, Indonesia	-	492
Rothmans Far East B.V - South Korea	-	423
PT Export Leaf Indonesia - Indonesia	-	344
	39,221	21,336

24. Cash and bank balances

	2010 Rs '000	2009 Rs '000
Deposit accounts	14,104	14,133
Current accounts		
Local currency	5,941	8,771
Foreign currency	31,139	23,725
	51,184	46,629
Cash in transit	-	598
Cash in hand	761	647
	51,945	47,874

		2010 Rs '000	2009 Rs '000
25.	**Trade and other payables**		
	Related parties - unsecured		
	Due to holding company / associated companies - note 25.1	198,914	221,814
	Others		
	Creditors	910,126	843,428
	Federal excise duty - note 25.2	2,779,617	2,604,744
	Sales tax	648,206	601,057
	Tobacco excise duty / Tobacco development cess - note 25.3	76,292	66,783
	Accrued liabilities	206,017	163,786
	Other employee benefits - note 25.4	274,238	317,769
	Retirement benefits - note 27	85,621	59,407
	Staff pension fund - defined contribution	889	471
	Workers' Profit Participation Fund	-	3,650
	Workers' Welfare Fund	40,854	105,464
	Advances from customers	74,457	6,274
	Security deposits	14,104	14,133
	Unclaimed dividend	30,390	28,689
		5,339,725	5,037,469

25.1	**The amount due to holding company / associated companies comprises:**		
	Holding Company		
	British American Tobacco p.l.c. - UK	80,805	102,577
	Associated Companies		
	BAT Asia-Pacific Region Ltd - Hong Kong	69,679	79,905
	BAT (Singapore) Pte Ltd - Singapore	25,522	13,830
	BAT ASPAC - Malaysia	18,213	21,774
	BAT Bangladesh Co. Ltd - Bangladesh	3,727	-
	BAT (Malaysia) Berhad - Malaysia	612	202
	Ceylon Tobacco Company Plc - Sri Lanka	278	2,696
	BAT Hungry - Hungry	55	-
	Rothmans Far East B.V - South Korea	23	-
	BAT Nigeria Ltd - Nigeria	-	756
	BAT SA Ltd - South Africa	-	74
		198,914	221,814

25.2	**Federal excise duty**		
	Balance as at January 1	2,604,744	2,176,647
	Payment to the Government during the year	(30,301,548)	(27,255,490)
	Charge for the year	30,476,421	27,683,587
	Balance as at December 31	2,779,617	2,604,744

25.3	**Tobacco excise duty / Tobacco development cess:**		
	Balance as at January 1	66,783	64,509
	Payment to the Government during the year	(69,463)	(65,655)
	Charge for the year	78,972	67,929
	Balance as at December 31	76,292	66,783

	2010 Rs '000	2009 Rs '000
25.4 Other employee benefits		
Balance as at January 1	317,769	306,673
Payment to employees during the year	(343,666)	(248,231)
Charge for the year	300,135	259,327
Balance as at December 31	274,238	317,769

Other employee benefits represent bonus to eligible employees.

26. Short term running finance - secured

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2009: Rs 3,700 million), out of which the amount unavailed at the year end was Rs 3,098 million (2009: Rs 2,399 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 5,940 million (2009: Rs 4,444 million). The mark-up ranges between 12.72% and 14.39% (2009: 11.89% and 17.50%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Company also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2009: Rs 2,500 million) and Rs 340 million (2009: Rs 340 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 748 million (2009: Rs 972 million) and Rs 200 million (2009: Rs 182 million). The letter of guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 355 million (2009: Rs 355 million)

	2010 Rs '000	2009 Rs '000
27. Retirement benefits		
Staff pension fund	51,640	14,206
Employees gratuity fund	33,981	45,201
	85,621	59,407

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2010 using the projected unit credit method. Details of the defined benefit plans are:

		Defined benefit pension plan		Defined benefit gratuity plan	
		2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000
(a)	The amounts recognised in the balance sheet:				
	Present value of defined benefit obligations	2,399,679	2,100,232	683,533	586,297
	Fair value of plan assets	(2,348,039)	(2,086,026)	(649,551)	(541,096)
	Net liability	51,640	14,206	33,982	45,201
(b)	Movement in the liability recognized in the balance sheet is as follow:				
	Balance as at January 1	14,206	536,808	45,201	202,325
	Charge for the year - profit & loss	58,042	185,128	32,494	63,797
	Charge / (Credit) for the year - statement of comprehensive income	50,959	(121,681)	26,401	14,816
	Employer's contribution during the year	(71,567)	(586,049)	(70,114)	(235,737)
	Balance as at December 31	51,640	14,206	33,982	45,201
(c)	The amounts recognised in the profit and loss account:				
	Current service cost	94,207	76,717	29,860	24,444
	Interest cost	267,722	266,023	73,324	68,245
	Expected return on plan assets	(265,045)	(124,318)	(67,527)	(26,482)
	Members' own contribution	(26,298)	(24,235)	-	-
	Secondees' own contribution	(4,417)	(3,498)	-	-
	Contribution by employer in respect of secondees	(8,127)	(5,561)	(3,163)	(2,410)
		58,042	185,128	32,494	63,797
(d)	The aggregate amounts recognised in the statement of comprehensive income:				
	Actuarial losses as at January 1	405,461	527,142	239,146	224,330
	Actuarial losses on defined benefit obligations	37,773	65,280	28,101	52,427
	Actuarial losses / (gains) on plan assets	13,186	(186,961)	(1,700)	(37,611)
		50,959	(121,681)	26,401	14,816
	Actuarial losses as at December 31	456,420	405,461	265,547	239,146
(e)	Changes in the present value of defined benefit obligation:				
	Present value of defined benefit obligation as at January 1	2,100,232	1,769,557	586,297	460,720
	Current service cost	94,207	76,717	29,860	24,444
	Interest cost	267,722	266,023	73,324	68,245
	Actual benefits paid during the year	(100,255)	(77,345)	(34,049)	(19,539)
	Actuarial losses	37,773	65,280	28,101	52,427
	Present value of defined benefit obligation as at December 31	2,399,679	2,100,232	683,533	586,297

	Defined benefit pension plan		Defined benefit gratuity plan	
	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000
(f) Changes in the fair value of plan assets:				
Fair value of plan assets as at January 1	2,086,026	1,232,749	541,096	258,395
Expected return on plan assets	265,045	124,318	67,527	26,482
Contribution by employer in respect of members	71,567	586,049	70,114	235,737
Members' own contribution	26,298	24,235	-	-
Secondees' own contribution	4,417	3,498	-	-
Contribution by employer in respect of secondees	8,127	5,561	3,163	2,410
Actual benefits paid during the year	(100,255)	(77,345)	(34,049)	(19,539)
Actuarial (losses) / gains	(13,186)	186,961	1,700	37,611
Fair value of plan assets as at December 31	2,348,039	2,086,026	649,551	541,096
Actual return on plan assets	254,909	290,529	64,711	66,482

During the year 2011 the Company expects to contribute Rs 70.544 million and Rs 33.742 million to its defined benefit pension plan and defined benefit gratuity plan respectively.

(g) The major categories of plan assets:				
Investment in equities	218,145	98,511	81,754	30,544
Investment in bonds	2,122,487	1,972,530	565,283	505,750
Cash	2,279	10,425	2,460	4,730
Other assets	5,128	4,560	54	72
	2,348,039	2,086,026	649,551	541,096

(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	14.50%	12.75%	14.50%	12.75%
Expected rate of return on plan assets	14.50%	12.75%	14.50%	12.75%
Expected rate of increase in salary				
First year	13.00%	16.00%	13.00%	16.00%
Second year onwards	13.00%	11.25%	13.00%	11.25%
Pension increase rate	10.50%	8.75%	-	-

The discount rate is determined by considering underlying yield currently available on Pakistan Investment Bonds and high quality term finance certificates and expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Salary increase assumption is based on the current general practice in the market.

	2010 Rs '000	2009 Rs '000	2008 Rs '000	2007 Rs '000	2006 Rs '000
(i) Amounts for the current and previous four years:					
Defined Benefit Pension Plan					
Present value of defined benefit obligation	(2,399,679)	(2,100,232)	(1,769,557)	(1,704,382)	(1,413,319)
Fair value of plan assets	2,348,039	2,086,026	1,232,749	1,367,884	1,202,614
Deficit	(51,640)	(14,206)	(536,808)	(336,498)	(210,705)
Experience adjustments on obligation	(37,773)	(83,719)	(63,120)	(122,206)	(97,267)
Experience adjustments on plan assets	(10,136)	166,211	(333,376)	12,878	(27,420)
Defined Benefit Gratuity Plan					
Present value of defined benefit obligation	(683,533)	(586,297)	(460,720)	(490,379)	(388,407)
Fair value of plan assets	649,551	541,096	258,395	337,374	270,997
Deficit	(33,982)	(45,201)	(202,325)	(153,005)	(117,410)
Experience adjustments on obligation	(28,101)	(63,208)	(73,527)	(46,209)	(39,159)
Experience adjustments on plan assets	(2,816)	40,000	(64,891)	152	(7,230)

	2010 Rs '000	2009 Rs '000
27.1 Salaries, wages and benefits as appearing in note 7, 8 and 9 include amounts in respect of the following:		
Provident Fund	56,290	49,364
Pension Fund	58,042	185,128
Gratuity Fund	32,494	63,797
	146,826	298,289

28. Deferred income tax liability

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

	2010	2009
The offset amounts are as follows:		
Deferred tax assets	10,231	10,231
Deferred tax liabilities	1,147,812	1,120,078
Deferred tax liability (net)	1,137,581	1,109,847

	2010	2009
The gross movement on deferred income tax account is as follows:		
At January 1	1,109,847	836,939
Charge for the year - profit and loss account (note 12)	27,734	22,781
Charge for the year - statement of comprehensive income (note 12.2)	-	250,127
At December 31	1,137,581	1,109,847

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within same tax jurisdiction, is as follows:

The deferred income tax asset is related to the temporary differences between carrying amount of retirement benefit and the corresponding tax base.

	2010 Rs '000	2009 Rs '000
Balance as at January 1	10,231	258,697
Credit for the year - profit and loss account	-	1,661
Charge for the year - statement of comprehensive income - note 12.2	-	(250,127)
Balance as at December 31	10,231	10,231

The deferred income tax liability is related to temporary differences between carrying amount of operating fixed assets and the corresponding tax base.

	2010	2009
Balance as at January 1	1,120,078	1,095,636
Charge for the year - profit and loss account	27,734	24,442
Balance as at December 31	1,147,812	1,120,078

29. Share capital

29.1 Authorized share capital

2010	2009		2010	2009
(Number of shares)			Rs '000	Rs '000
300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

29.2 Issued, subscribed and paid-up capital

2010	2009		2010	2009
(Number of shares)			Rs '000	Rs '000
230,357,068	230,357,068	Cash	2,303,571	2,303,571
25,136,724	25,136,724	Bonus shares	251,367	251,367
255,493,792	255,493,792		2,554,938	2,554,938

British American Tobacco (Investments) Limited held 241,045,141 (2009: 241,045,141) ordinary shares at the year end.

There has been no movement in issued, subscribed and paid-up capital during the year.

30. Contingencies and commitments

30.1 Contingencies

(a) Claims and guarantees

	2010	2009
(i) Claims against the Company not acknowledged as debt	127,050	113,436
(ii) Guarantees issued by banks on behalf of the Company	199,608	181,637

(b) Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have any material impact on the financial statements.

	2010 Rs '000	2009 Rs '000
30.2 Commitments		
(a) All property rentals are under cancellable operating lease arrangements and are due as follows:		
No later than one year		
Later than one year and no later than five years	20,099	65,587
Later than five years	91,171	133,918
	35,898	20,433

(b) Letters of credit outstanding at December 31, 2010 were Rs 748,185 thousand (2009: Rs 971,528 thousand).

31. Financial instruments

Financial assets and liabilities

Financial assets

Maturity up to one year:	Loans and receivables	
Trade debts		
Loans and advances	1,597	1,684
	48,267	48,598
Other receivables		
Local Currency		
Foreign Currency	63,667	76,596
Cash and bank balances	29,879	11,551
Local Currency		
Foreign Currency	20,806	24,149
	31,139	23,725
Maturity after one year:		
Loans		
Security deposits	3,417	7,310
	10,540	15,219
	209,312	208,832

Financial liabilities

Maturity up to one year:	Other financial liabilities	
Federal excise duty and sales tax payable	3,427,823	3,205,801
Other trade payables		
Local Currency	1,678,043	1,629,389
Foreign Currency	159,402	196,005
Accrued interest / mark-up	46,789	27,659
Short term running finance	2,252,218	1,300,837
	7,564,275	6,359,691

32. Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2009: 94.34%) shares of the Company at the year end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Company. Such entities are also referred to as 'BAT' in these financial statements. The related parties also include directors, major shareholders, key management personnel, employee funds and the entities over which the directors are able to exercise the influence. The amounts due from and due to these undertakings are shown under receivables and payables.The remuneration of the chief executive, directors, key management personnel and executives is given in note 14 to the financial statements.

	2010 Rs '000	2009 Rs '000
Purchase of goods and services from		
Holding company	192,129	177,382
Associated companies	1,370,643	1,770,892
Sale of goods and services to		
Holding company	5,266	3,824
Associated companies	433,066	149,671
Royalty charge from		
Holding company	345,339	331,902
Expenses reimbursed to		
Associated companies	553	219
Expenses reimbursed by		
Holding company	134	-
Associated companies	1,671	1,699
Subsidiary company	-	572

33. Post balance sheet event

Final dividend in respect of the year ended December 31, 2010 of Rs 2.10 (2009: Rs 4.75) per share amounting to a total dividend of Rs 536,537 thousand (2009: 1,213,596 thousand) has been proposed, over and above the interim dividend of Rs 1.25 (2009: Rs 7.25) per share paid during the year, out of the revenue reserves at the Board of Directors meeting held on March 16, 2011. These financial statements do not reflect this proposed dividend.

34. General

34.1 Capacity and production

Against an estimated manufacturing capacity of 45,270 million (2009: 48,111 million) cigarettes, actual production was 36,196 million (2009: 41,973 million) cigarettes. Actual production was sufficient to meet market demand. There was no production through any outside manufacturing source.

34.2 Number of employees

Total number of employees as at December 31, 2010 was 1,597 (2009: 1,573).

34.3 Date of authorization

These financial statements have been authorized for circulation to the shareholders by the Board of Directors of the Company on March 16, 2011.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Financial Statements

for the year ended December 31, 2010

Auditor's Report to the Members on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Pakistan Tobacco Company Limited (the Company) and its subsidiary company, Phoenix (Private) Limited as at December 31, 2010 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Company and its subsidiary company. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Company and its subsidiary company as at December 31, 2010 and the results of their operations for the year then ended.

Chartered Accountants
Islamabad
Date: March 16, 2011
Engagement partner: **Sohail M Khan**

Consolidated Profit and Loss Account for the year ended December 31, 2010

	Note	2010 Rs '000	2009 Rs '000
Gross turnover		60,195,535	57,544,309
Excise duties		(30,476,421)	(27,654,345)
Sales tax		(8,766,485)	(8,223,439)
Net turnover		20,952,629	21,666,525
Cost of sales	7	(14,747,717)	(13,442,066)
Gross profit		6,204,912	8,224,459
Selling and distribution expenses	8	(3,279,390)	(2,246,014)
Administrative expenses	9	(1,233,165)	(1,100,814)
Other operating expenses	10	(208,211)	(514,665)
Other operating income	11	46,610	226,499
		(4,674,156)	(3,634,994)
Operating profit		1,530,756	4,589,465
Finance income		36,933	102,826
Finance cost		(149,680)	(43,802)
Net finance (cost) / income		(112,747)	59,024
Profit before income tax		1,418,009	4,648,489
Income tax expense	12	(492,909)	(1,626,083)
Profit for the year		925,100	3,022,406
Earnings per share - (Rupees)	13	3.62	11.83

The annexed notes 1 to 33 form an integral part of these consolidated financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Statement of Comprehensive Income for the year ended December 31, 2010

	Note	2010 Rs '000	2009 Rs '000
Profit for the year		925,100	3,022,406
Other comprehensive (loss) / income for the year:			
Actuarial (losses) / gains on defined benefit pension and gratuity plans	26	(77,360)	106,865
Tax credit / (charge) related to actuarial (losses) / gains on defined benefit pension and gratuity plans	12	27,076	(37,402)
Other comprehensive (loss) / income for the year - net of tax		(50,284)	69,463
Total comprehensive income for the year		874,816	3,091,869

The annexed notes 1 to 33 form an integral part of these consolidated financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Balance Sheet as at December 31, 2010

	Note	2010 Rs '000	2009 Rs '000
Non current assets			
Property, Plant and Equipment	15	5,848,736	5,977,156
Long Term Loans	16	3,417	7,310
Long Term Deposits and Prepayments	17	15,375	19,915
Current assets			
Stock-in-trade	18	6,002,823	5,765,367
Stores and spares	19	199,207	218,375
Trade debts	20	1,597	1,684
Loans and advances	21	48,267	48,598
Short term prepayments		118,329	72,483
Other receivables	22	73,525	68,126
Income tax paid in advance		15,206	-
Cash and bank balances	23	51,945	47,874
		6,510,899	6,222,507
Current liabilities			
Trade and other payables	24	5,339,752	5,037,496
Accrued interest / mark-up		46,789	27,659
Short term running finance	25	2,252,218	1,300,837
Current income tax liability		-	490,815
		7,638,759	6,856,807
Net current assets		(1,127,860)	(634,300)
Non current liabilities			
Deferred income tax liability	27	(1,137,581)	(1,109,847)
Net assets		3,602,087	4,260,234
Share capital and reserves			
Share capital	28	2,554,938	2,554,938
Revenue reserves		1,047,149	1,705,296
		3,602,087	4,260,234
Contingencies and commitments	29		

The annexed notes 1 to 33 form an integral part of these consolidated financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Cash Flow Statement for the year ended December 31, 2010

	2010 Rs '000	2009 Rs '000
Cash flows from operating activities		
Cash receipts from customers	60,262,561	57,548,393
Cash paid to Government for Federal excise duty, Sales tax and other levies	(39,535,501)	(35,968,367)
Cash paid to suppliers	(15,256,590)	(14,063,572)
Finance cost paid	(130,550)	(26,497)
Cash paid as royalty	(342,276)	(328,191)
Cash paid to employees and retirement funds	(2,743,686)	(3,076,180)
Income tax paid	(944,120)	(1,202,945)
Other cash payments	(160,938)	(337,273)
	1,148,900	2,545,368
Cash flows from investing activities		
Additions in property, plant and equipment	(645,833)	(1,044,938)
Proceeds from disposal of property, plant and equipment	43,952	82,423
Finance income received	36,933	102,826
	(564,948)	(859,689)
Cash flows from financing activities		
Dividends paid	(1,531,262)	(2,435,417)
Decrease in cash and cash equivalents	(947,310)	(749,738)
Cash and cash equivalents at beginning of year	(1,252,963)	(503,225)
Cash and cash equivalents at end of year	(2,200,273)	(1,252,963)
Cash and cash equivalents comprise:		
Cash and bank balances	51,945	47,874
Short term running finance	(2,252,218)	(1,300,837)
	(2,200,273)	(1,252,963)

The annexed notes 1 to 33 form an integral part of these consolidated financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Consolidated Statement of Changes in Equity as at December 31, 2010

	Share Capital Rs '000	Revenue Reserves Rs '000	Total Rs '000
Balance at January 1, 2009	2,554,938	1,053,393	3,608,331
Comprehensive income:			
Profit for the year	-	3,022,406	3,022,406
Other comprehensive income for the year	-	69,463	69,463
Total Comprehensive income for the year	-	3,091,869	3,091,869
Transactions with owners:			
Final dividend of Rs 2.30 per share relating to the year ended December 31, 2008	-	(587,636)	(587,636)
1st Interim dividend of Rs 1.75 per share relating to the year ended December 31, 2009	-	(447,114)	(447,114)
2nd Interim dividend of Rs 2.75 per share relating to the year ended December 31, 2009	-	(702,608)	(702,608)
3rd Interim dividend of Rs 2.75 per share relating to the year ended December 31, 2009	-	(702,608)	(702,608)
Total transactions with owners	-	(2,439,966)	(2,439,966)
Balance at December 31, 2009	2,554,938	1,705,296	4,260,234
Balance at January 1, 2010	2,554,938	1,705,296	4,260,234
Comprehensive income:			
Profit for the year	-	925,100	925,100
Other comprehensive loss for the year	-	(50,284)	(50,284)
Total Comprehensive income for the year	-	874,816	874,816
Transactions with owners:			
Final dividend of Rs 4.75 per share relating to the year ended December 31, 2009	-	(1,213,596)	(1,213,596)
1st Interim dividend of Rs 1.25 per share relating to the year ended December 31, 2010	-	(319,367)	(319,367)
Total transactions with owners	-	(1,532,963)	(1,532,963)
Balance at December 31, 2010	2,554,938	1,047,149	3,602,087

The annexed notes 1 to 33 form an integral part of these consolidated financial statements.

Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

Notes to and forming part of the Consolidated Financial Statements for the year ended December 31, 2010

1. The Group and its operations

The consolidated financial statements include the financial statements of Pakistan Tobacco Company Limited and its wholly owned subsidiary, Phoenix (Private) Limited.

Pakistan Tobacco Company Limited (the Company) is a public listed company incorporated in Pakistan on November 18,1947 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Company is a subsidiary of British American Tobacco (Investments) Limited, United Kingdom, whereas its ultimate parent company is British American Tobacco p.l.c, United Kingdom. The registered office of the Company is situated at Silver Square, Plot No.15, F-11 Markaz, Islamabad. The Company is engaged in the manufacture and sale of cigarettes.

Phoenix (Private) Limited (PPL) is a private company incorporated on March 9, 1992 in Azad Jamu and Kashmir under the Companies Ordinance, 1984. The registered office of PPL is situated at Bun Khurma, Chichian Road, Mirpur, Azad Jammu and Kashmir. The object for which PPL has been incorporated is to operate and manage an industrial undertaking in Azad Jammu and Kashmir to deal in tobacco products. PPL has not yet commenced its commercial operations.

For the purpose of these consolidated financial statements, the Company and its wholly owned subsidiary PPL is referred to as the Group.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984 (the Ordinance), and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group,s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

3. New and amended standards and interpretations

New standards, amendments and interpretations that have been issued but not yet effective and not early adopted by the Group.

		Effective for periods beginning on or after
IFRS 3	Business Combinations	July 1, 2010
IFRS 7	Financial Instruments: Disclosures	July 1, 2011
IFRS 9	Financial Instruments	January 1, 2013
IAS 1	Presentation of Financial Statements	January 1, 2011
IAS 24	Related Party Disclosures (revised 2009)	January 1, 2011
IAS 27	Consolidated and Separate Financial Statements	July 1, 2010
IAS 32	Financial Instruments: Presentation - Classification of rights issues	February 1, 2010
IAS 34	Interim Financial Reporting	January 1, 2011
IFRIC 13	Customer Loyalty Programmes	January 1, 2011
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The above standards, amendments and interpretations where applicable, are not expected to have any material impact on the Group,s consolidated financial statements.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies notes.

4.2 Consolidation - Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group,s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiary are consistent with the policies adopted by the Group.

4.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the board of directors that makes strategic decisions.

4.4 Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan rupee (Rs).

4.5 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the consolidated profit and loss account.

4.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Group's activities as described below.

(a) Sale of goods

The Group manufactures and sells cigarettes to its appointed distributors. Sales of goods are recognized when the Group has delivered products to the distributor and there is no unfulfilled obligation that could affect the distributor,s acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Where goods are sold together with a customer loyalty incentive, the arrangement is a multiple element arrangement and the consideration from the customer is allocated between the components of the arrangement and related revenue is deferred until such time as the award credits are redeemed.

(b) Income on bank deposits

Income on bank deposits is accounted for on the time proportion basis using the applicable rate of return.

(c) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts. All other income is recognized on accrual basis.

4.7 Taxation

The tax expense for the year comprises current and deferred income tax, and is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in the equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.8 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount could be reliably estimated. Provisions are not recognized for future operating losses.

All provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.9 Contingent assets

Contingent assets are disclosed when the Group has a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized until their realization becomes virtually certain.

4.10 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

4.11 Employee benefits

(a) Retirement benefit plans

The Group operates various retirement benefit schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations or upto the limit allowed in terms of the Income Tax Ordinance, 2001. The Group has both defined contribution and defined benefit plans.

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group operates:

(i) Defined benefit, approved funded pension scheme for management and certain grades of business support officers and approved gratuity scheme for all employees. Employees also contribute to the approved pension scheme. The liability recognized in the consolidated balance sheet in respect of pension and gratuity plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Pakistan rupee and have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(ii) Approved contributory provident fund for all employees administered by trustees and approved contributory pension fund for the new joiners. The contributions of the Group are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Medical benefits

The Group maintains a health insurance policy for its entitled employees and pensioners and their respective spouses. The Group contributes premium to the policy annually. Such premium is recognised as an expense in the consolidated profit and loss account.

(d) Bonus plans

(i) The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company„s shareholders after certain adjustments and performance targets. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) The Group also operates a deferred bonus plan for certain eligible management staff members. These benefits are usually paid after 3 years from the date of grant of such an award unless otherwise authorized by the Compensation Committee of the Board of Directors. The obligation for these payments is recognised in the profit and loss account on a straight line basis to allocate the expected award amount over the term of the award.

4.12 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight-line basis over the period of the lease.

4.13 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land and capital work in progress which are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit and loss account during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives at the following annual rates:

Buildings on free-hold land, buildings on leasehold land and private railway sidings	3%
Plant and machinery	7%
Air conditioners included in plant and machinery	25%
Office and household equipment	20% to 25%
Furniture and fittings	10% to 20%
Vehicles	25%

Depreciation on additions and deletions during the year is charged on a pro rata basis from the month when asset is put into use or up to the month when asset is disposed/written off.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of operating fixed assets are recognized in consolidated profit and loss account.

4.14 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset„s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss is restricted to the original cost of the asset. An impairment loss or reversal of impairment loss is recognised in the Consolidated profit and loss account.

4.15 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and costs necessary to be incurred to make the sale.

4.16 Stores and spares

Stores and spares are stated at lower of cost and net realizable value. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred upto the balance sheet date.

4.17 Financial assets

4.17.1 Classification

The Group classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Held to maturity
A financial asset is classified in this category if acquired by the Group with the intention and ability to hold them upto maturity.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group,s loans and receivables comprise trade debts, loans and advances, other receivables and cash and bank balances.

(iii) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

4.17.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date fi the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ,financial assets at fair value through profit or loss,, category are recognized in the consolidated profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated profit and loss account as part of other income when the Group,s right to receive payments is established.

4.17.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ,loss event,,) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.18 Trade debts

Trade debts are recognised initially at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is doubtful. The provision is recognised in the consolidated profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the consolidated profit and loss account.

4.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consoliated profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to consolidated profit and loss account.

4.21 Dividend distribution

Final dividend distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

4.22 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

5. Financial risk management

5.1 Financial risk factors

The Group,s activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group,s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Treasury Sub Committee (the Committee) under policies approved by the board of directors (the Board). The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Great Britain Pound Sterling (GBP) and the Euro. Currently, the Group„s foreign exchange risk exposure is restricted to bank balances, the amounts receivable/payable from/to the foreign entities and outstanding letters of credit.

Financial assets include Rs 61,018 thousand (2009: 35,276 thousand) and financial liabilities include Rs 159,402 thousand (2009: 196,005 thousand) which were subject to foreign exchange risk.

At December 31 2010, if the functional currency had weakened/strengthened by 10% against foreign currencies, with all other variables held constant, the profit after taxation for the year would have been lower/higher by Rs 6.41 million (2009: Rs 10.45 million).

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is not exposed to equity price risk since there are no investments in equity securities. The Group is also not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to fair value interest rate risk as it does not hold any fixed rate instruments.

The Group has no significant long-term interest-bearing assets or liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial liabilities include balances of Rs 2,252,218 thousand (2009: Rs 1,300,837 thousand) which are subject to interest rate risk. Applicable interest rates for financial liabilities have been indicated in respective notes.

At balance sheet date, if interest rates had been 1% higher/lower, with all other variables held constant, profit after taxation for the year would have been Rs 14.64 million (2009: Rs 8.46 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from trade debts, loans and advances, other receivables and deposits with banks. The table below shows bank balances held with counterparties at the balance sheet date.

Counterparty	Rating Short term	Rating Long term	Rating Agency	Rs (million) 2010	Rs (million) 2009
MCB Bank Limited	A1+	AA+	PACRA	16.32	17.03
Citibank N.A.	P-1	A1	Moody's	20.02	12.77
Deutsche Bank AG	P-1	Aa3	Moody's	11.12	15.80
Barclays Bank p.l.c	P-1	Aa3	Moody's	1.10	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	1.99	0.90
National Bank of Pakistan	A-1+	AAA	JCR-VIS	0.63	0.73
				51.18	47.23

Trade debts, loans and advances and other receivables amounting to Rs 157.37 million (2009: Rs 160.96 million) do not include any amounts which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2010, the Group had Rs 3,098 million unutilised borrowing facilities from financial institutions and Rs 52 million cash and bank balances. Further, the Group also has strong financial support from its holding company. Based on the above, in spite the fact that the Group is in a negative working capital position at the year end, management believes the liquidity risk to be low.

5.2 Capital risk management

The Group's objectives when managing capital risks are to safeguard the Group,s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

5.3 Fair value estimation

The carrying values of financial instruments approximate their fair values.

6. Critical accounting estimates and judgements

(a) Income taxes

The Group recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined. Deferred income tax (note 4.7) is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

(b) Retirement benefits

Actuarial valuation of gratuity and pension contributions (note 4.11) requires use of certain assumptions related to future periods including increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(c) Property, plant and equipment

The Group reviews useful life and residual value of property, plant and equipment (note 4.13) on regular basis. Any change in estimates may affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

		2010 Rs '000	2009 Rs '000
7.	**Cost of sales**		
	Raw material consumed		
	Opening stock of raw materials and work in process	4,915,788	3,574,582
	Raw material purchases and expenses - note 7.1	11,436,719	11,789,122
	Closing stock of raw materials and work in process	(5,318,558)	(4,915,788)
		11,033,949	10,447,916
	Government taxes and levies		
	Customs duty and surcharges	374,090	459,905
	Provincial and municipal taxes and other duties	115,502	104,546
	Excise duty on royalty	34,534	29,242
		524,126	593,693
		11,558,075	11,041,609
	Royalty	345,340	331,902
	Production overheads		
	Salaries, wages and benefits	1,206,280	1,068,601
	Stores, spares and machine repairs	351,581	405,709
	Fuel and power	312,685	243,909
	Insurance	25,445	22,091
	Repairs and maintenance	120,481	92,755
	Postage, telephone and stationery	12,152	10,189
	Information technology	73,277	60,760
	Depreciation	498,768	452,019
	Stock written off	18,176	3,225
	Provision for stock	-	20,533
	Stores and spares written off	9,578	10,002
	Sundries	50,565	43,860
		2,678,988	2,433,653
	Cost of goods manufactured	14,582,403	13,807,164
	Cost of finished goods		
	Opening stock	849,579	484,481
	Closing stock	(684,265)	(849,579)
		165,314	(365,098)
	Cost of sales	14,747,717	13,442,066
7.1	**Raw material purchases and expenses**		
	Materials	10,525,185	10,954,093
	Salaries, wages and benefits	421,119	385,584
	Stores, spares and machine repairs	175,538	158,645
	Fuel and power	100,181	102,131
	Property rentals	39,827	30,677
	Insurance	2,231	2,511
	Repairs and maintenance	9,675	1,110
	Postage, telephone and stationery	4,791	5,199
	Depreciation	103,297	99,677
	Sundries	54,875	49,495
		11,436,719	11,789,122

		2010 Rs '000	2009 Rs '000
8.	**Selling and distribution expenses**		
	Salaries, wages and benefits	363,931	368,604
	Selling expenses	2,473,812	1,503,693
	Freight	235,187	206,820
	Repairs and maintenance	88,974	73,245
	Postage, telephone and stationery	7,937	7,401
	Travelling	46,520	32,905
	Property rentals	7,180	7,717
	Insurance	7,960	7,579
	Stock written off	2,318	351
	Depreciation	45,571	37,699
		3,279,390	2,246,014
9.	**Administrative expenses**		
	Salaries, wages and benefits	614,252	604,903
	Fuel and power	20,651	12,802
	Property rentals	79,334	83,547
	Insurance	5,261	4,069
	Repairs and maintenance	51,916	40,731
	Postage, telephone and stationery	17,340	13,922
	Legal and professional charges	19,179	14,644
	Donations - note 9.1	42,614	7,010
	Information technology	152,210	135,568
	Travelling	83,131	61,042
	Depreciation	97,208	67,369
	Auditor's remuneration and expenses - note 9.2	7,969	7,090
	Sundries	42,100	48,117
		1,233,165	1,100,814

9.1 This includes an amount of Rs 42,164 thousand (2009:Nil) paid to Gottfried Thoma - PTC Employees Benevolent Trust. None of the directors and their spouses had any interest in any of the donees during the year.

		2010 Rs '000	2009 Rs '000
9.2	**Auditor's remuneration and expenses include:**		
	- Statutory audit fee	1,177	1,070
	- Group reporting, special certifications, audit of consolidated accounts, staff retirement benefit funds and review of half yearly accounts	2,580	2,410
	- Tax services	3,886	3,276
	- Out-of-pocket expenses	326	334
		7,969	7,090

		2010 Rs '000	2009 Rs '000
10.	**Other operating expenses**		
	Workers' Profit Participation Fund	76,125	249,650
	Workers' Welfare Fund	28,360	94,867
	Bank charges and fees	38,800	34,317
	Provision for potential contractual obligation	53,000	-
	Restructuring cost	4,332	5,322
	Security deposit written off	4,020	-
	Other receivable written off	1,193	-
	Foreign exchange loss	2,215	480
	Interest on Workers' Profit Participation Fund	166	162
	Head Office relocation expenses	-	123,583
	Receivable from BAT Bangladesh written off	-	6,284
		208,211	514,665
11.	**Other operating income**		
	Gain on disposal of operating fixed assets	14,543	46,599
	Income from associated company	22,536	20,540
	Insurance claim for Evacuee Trust damages	-	135,694
	Insurance refund and material claim	-	16,808
	Miscellaneous	9,531	6,858
		46,610	226,499
12.	**Income tax expense**		
	Current	465,175	1,603,302
	Deferred	27,734	22,781
		492,909	1,626,083

12.1 Effective tax rate reconciliation:

Numerical reconciliation between the average effective income tax rate and applicable income tax rate is as follows:

	2010 %	2009 %
Applicable tax rate	35.00	35.00
Tax effect of:		
Inadmissible expenses	0.17	0.05
Income taxed at different rate	(0.37)	(0.11)
Others	(0.04)	0.04
Average effective tax rate	34.76	34.98

		2010 Rs '000	2009 Rs '000
12.2	**Tax on items directly charged / (credited) to statement of comprehensive income**		
	Current tax credit on defined benefit plans	(27,076)	(212,725)
	Deferred tax charge on defined benefit plans	-	250,127
		(27,076)	37,402
13.	**Earnings per share**		
	Profit after tax (Rs '000)	925,100	3,022,406
	Number of fully paid weighted average ordinary shares ('000)	255,494	255,494
	Earnings per share - Basic (Rs)	3.62	11.83

There is no dilutive effect on the basic earnings per share of the Group.

14. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to Chief Executive, Executive Directors and Executives are as follows:-

	Chief Executive		Executive Directors		Executives				Total	
					*Key Management Personnel		Other Executives			
	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000
Managerial remuneration	55,817	45,178	58,966	61,551	170,207	97,952	379,637	326,558	664,627	531,239
Corporate bonus	8,142	9,917	70,529	45,389	72,760	77,014	58,082	90,654	209,513	222,974
Leave fare assistance	3,073	1,122	3,937	1,259	4,251	3,982	3,739	3,873	15,000	10,236
Housing and utilities	7,773	7,211	13,454	13,958	43,321	31,949	163,442	142,392	227,990	195,510
Medical expenses	3	102	1,191	3,612	7,888	6,838	19,343	21,661	28,425	32,213
Post employment benefits	9,194	11,359	7,168	15,603	31,064	39,620	79,599	157,233	127,025	223,815
	84,002	74,889	155,245	141,372	329,491	257,355	703,842	742,371	1,272,580	1,215,987
Number of persons	1	1	5	5	32	24	286	243	324	273

14.1 The Group, in certain cases, also provides individuals with the use of company accommodation, cars and household items, in accordance with their entitlements.

14.2 The aggregate amounts charged in the consolidated financial statements of the year for remuneration including all benefits to six (2009: six) non-executive directors of the Group amounted to Rs 4,935 thousand (2009: Rs 3,364 thousand).

15. Property, plant and equipment

	2010 Rs '000	2009 Rs '000
Operating assets - note 15.1	5,625,279	5,486,402
Capital work in progress - note 15.2	223,457	490,754
	5,848,736	5,977,156

15.1 Operating assets

	Free-hold land Rs '000	Buildings on free-hold land Rs '000	Buildings on leasehold land Rs '000	Private railway sidings Rs '000	Plant and machinery Rs '000	Office and household equipment Rs '000	Furniture and fittings Rs '000	Vehicles Rs '000	Total Rs '000
At January 1, 2009									
Cost	10,198	518,894	25,712	349	7,371,451	366,904	27,063	596,634	8,917,205
Accumulated depreciation	-	(129,019)	(14,017)	(323)	(2,777,132)	(220,247)	(20,479)	(339,707)	(3,500,924)
Net book amount at January 1, 2009	10,198	389,875	11,695	26	4,594,319	146,657	6,584	256,927	5,416,281
Year ended December 31, 2009									
Net book amount at January 1, 2009	10,198	389,875	11,695	26	4,594,319	146,657	6,584	256,927	5,416,281
Additions	-	3,403	-	-	416,114	133,842	71,312	138,038	762,709
Disposals	-	-	-	-	(7,335)	(6,625)	(1,530)	(20,334)	(35,824)
Depreciation charge	-	(15,100)	(457)	-	(495,473)	(49,029)	(3,369)	(93,336)	(656,764)
Net book amount at December 31, 2009	10,198	378,178	11,238	26	4,507,625	224,845	72,997	281,295	5,486,402
At January 1, 2010									
Cost	10,198	522,297	25,712	349	7,751,713	451,141	83,377	613,930	9,458,717
Accumulated Depreciation	-	(144,119)	(14,474)	(323)	(3,244,088)	(226,296)	(10,380)	(332,635)	(3,972,315)
Net book amount January 1, 2010	10,198	378,178	11,238	26	4,507,625	224,845	72,997	281,295	5,486,402
Year ended December 31, 2010									
Net book amount at January 1, 2010	10,198	378,178	11,238	26	4,507,625	224,845	72,997	281,295	5,486,402
Additions	-	38,330	-	-	562,349	113,747	11,885	186,819	913,130
Disposals	-	-	-	-	(8,031)	(5,689)	(4)	(15,685)	(29,409)
Depreciation charge	-	(15,330)	(435)	-	(534,902)	(64,703)	(11,830)	(117,644)	(744,844)
Net book amount at December 31, 2010	10,198	401,178	10,803	26	4,527,041	268,200	73,048	334,785	5,625,279
At December 31, 2010									
Cost	10,198	560,627	25,712	349	8,283,622	523,704	95,224	724,401	10,223,837
Accumulated depreciation	-	(159,449)	(14,909)	(323)	(3,756,581)	(255,504)	(22,176)	(389,616)	(4,598,558)
Net book amount at December 31, 2010	10,198	401,178	10,803	26	4,527,041	268,200	73,048	334,785	5,625,279

	2010 Rs '000	**2009** Rs '000
15.2 Capital work in progress		
Civil and electrical works	12,563	12,563
Plant and machinery	195,265	422,829
Advances to suppliers	15,629	55,362
	223,457	490,754
15.3 Depreciation charge has been allocated as follows:		
Cost of sales	498,768	452,019
Raw material purchases and expenses	103,297	99,677
Selling and distribution expenses	45,571	37,699
Administrative expenses	97,208	67,369
	744,844	656,764

15.4 Details of property, plant and equipment disposals, having book value of Rs 50,000 or more are as follows:

	Original cost Rs '000	Book value Rs '000	Sale proceeds Rs '000	Particulars of buyers
Office and household equipment				
- by auction	519	52	50	Bahadur Khan & Co - Nowshera
- by insurance claim	334	122	580	EFU General Insurance Limited
- as per Company's policy	127	76	78	Manjula Karaliyadde - Employee
Computer equipment				
- by auction	2,362	236	73	Fahim Khan - Nowshera
- by insurance claim	535	375	806	EFU General Insurance Limited
Vehicles				
- as per Company's policy	746	75	75	Nadeem Aqeel Butt - Employee
	758	76	76	Nafees Malik - Employee
	801	80	80	Ahmed Zeb - Employee
	835	83	83	Basit Ali Khan - Employee
	835	83	83	Mian Waqar-ud-Din - Employee
	835	83	83	Mirza Zubair Ahmed - Employee
	835	83	83	Nubair Misbah - Employee
	845	84	262	Nasir Ali Khan - Ex Employee
	885	88	88	Anwar Sadiq Malik - Employee
	885	88	88	Imran Rawn - Employee
	885	88	88	Naseer Khan - Employee
	885	88	88	Nauman Saeed - Employee
	980	265	484	Nisar Hussain - Ex Employee
	980	184	384	Muhammad Asim - Employee
	980	143	374	Shahzeb Malik - Employee
	981	511	582	S.Muhammad Ali Abrar - Employee
	1,005	251	485	Manzar Ejaz Rana - Employee
	1,039	104	104	Jamshed Inam - Employee
	1,039	104	104	Talat Mahmood - Employee
	1,039	104	104	Turab Ali Khan - Employee
	1,056	106	131	Faisal Saif - Employee
	1,309	131	561	M. Khurram Shahzad - Employee
	1,309	218	546	Syed Nasir Shams - Employee
	1,309	131	131	Syed Qaiser Imam - Employee
	1,328	913	1,033	Nadia Javed - Employee
	1,337	752	832	Fahim Ashraf - Employee
	1,354	959	1,084	Munir Ratani - Employee
	1,370	314	612	Muhammad Ibrahim - Employee
	1,389	781	973	Muhammad Khosa - Ex Employee
	2,750	917	1,674	Zafar Aslam Khan - Employee
	3,949	2,139	2,868	Atif Hasan - Employee
	4,799	480	480	Ahmed Zeb - Employee
	5,400	1,350	2,909	Naveed Aftab - Ex Employee

	Original cost Rs '000	Book value Rs '000	Sale proceeds Rs '000	Particulars of buyers
- by auction	604	60	505	Mustaqim Khan - Karachi
	739	74	181	Shahid ullah Khan - Charsadda
	746	75	892	Fayyaz Ahmed - Rawalpindi
	746	75	661	Khurram Mahboob - Rawalpindi
	757	76	936	Syed Riaz Ahmed - Karachi
	849	85	629	Rizwan Mazhar - Rawalpindi
	849	85	850	Wazir Muhammad - Karachi
	857	86	554	Naveed Hussain - Islamabad
	857	86	532	Tanveer Ahmad - Islamabad
	860	86	816	Muhammad Javed - Karachi
	879	88	826	Nouman Ahmed - Karachi
	1,024	102	928	Khurram Mahboob - Rawalpindi
	1,024	102	903	Shahid ullah Khan - Charsadda
	1,024	102	960	Taimur Liaqat - Rawalpindi
	1,024	102	935	Waheed Ahmed - Islamabad
	1,156	116	1,040	Liaqat Ali - Rawalpindi
	1,286	129	651	Muhammad Naseer Khan - Karachi
	4,355	436	1,810	Aurangzeb Khan - Islamabad
- by insurance claim	63	51	63	New Hampshire Insurance Company
	83	78	82	-do-
	618	62	490	-do-
	999	604	660	-do-
	1,056	106	1,290	-do-
	73,064	15,583	36,413	

	2010 Rs '000	2009 Rs '000

16. Long term loans - unsecured, considered good

	2010 Rs '000	2009 Rs '000
Related parties		
Key management personnel	452	487
Others		
Executives	3,817	6,629
Other employees	1,698	4,313
	5,515	10,942
	5,967	11,429
Less: Receivable within one year	2,550	4,119
	3,417	7,310

16.1 Reconciliation of loans:

	Executives				Other employees		Total	
	Key management personnel		Other executives					
	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000	2010 Rs'000	2009 Rs'000
Balance as at January 1	487	524	6,629	8,590	4,313	4,780	11,429	13,894
Disbursements	-	-	-	2,410	-	2,775	-	5,185
Repayments	35	37	2,812	4,371	2,615	3,242	5,462	7,650
Balance as at December 31	452	487	3,817	6,629	1,698	4,313	5,967	11,429

The above comprises interest free loans for purchase of household furniture, appliances, cars and motorcycles and are repayable over 5 to 10 years in equal monthly instalments.

16.2 The maximum amount due from the key management personnel and other executives at the end of any month during the year was:

	2010 Rs '000	2009 Rs '000
Key management personnel	651	630
Other executives	7,256	8,819
	7,907	9,449

	2010 Rs '000	2009 Rs '000
17. Long term deposits and prepayments		
Security deposits	10,540	15,219
Prepayments	4,835	4,696
	15,375	19,915
18. Stock-in-trade		
Raw materials	5,130,471	4,679,602
Raw materials in transit	144,924	219,120
Work in process	43,163	37,599
Finished goods	684,265	849,579
	6,002,823	5,785,900
Provision for damaged raw materials	-	(20,533)
	6,002,823	5,765,367
19. Stores and spares		
Stores	1,506	1,656
Machine spares	197,701	214,025
Machine spares in transit	-	2,694
	199,207	218,375
20. Trade debts		
Considered good	1,597	1,684
Considered doubtful	2,322	2,405
	3,919	4,089
Provision for doubtful debts	(2,322)	(2,405)
	1,597	1,684
21. Loans and advances - unsecured, considered good		
Related parties		
Loans to key management personnel - note 16	113	141
Advances due from key management personnel	3,208	1,192
Others		
Loans to executives and other employees - note 16	2,437	3,978
Advances due from executives and other employees - note 21.1	25,910	24,107
Advances due from others	16,599	19,180
	48,267	48,598

21.1 Includes Rs 17,662 thousand (2009: Rs 13,847 thousand) due from executives of the Group.

	2010 Rs '000	2009 Rs '000

22. Other receivables

	2010 Rs '000	2009 Rs '000
Related parties - unsecured		
Due from holding company / associated companies - note 22.1	39,221	21,336
Management Provident Fund	7,406	-
Employees' Provident Fund	2,013	3,241
Others		
Claims	18,067	26,634
Workers' Profit Participation Fund	1,875	-
Margin against guarantees	-	6,617
Others	4,943	10,298
	73,525	68,126

22.1 The amount due from holding company / associated companies comprises:

	2010 Rs '000	2009 Rs '000
Holding Company		
British American Tobacco p.l.c. - UK	2,513	5,796
Associated Companies		
BAT Marketing (Singapore) Ltd	16,949	849
BAT SAA Services (Private) Limited - Pakistan	12,918	9,785
BAT Vietnam Ltd - Vietnam	2,246	640
BAT Asia-Pacific Region Ltd - Hong Kong	1,683	-
BAT Aspac Service Centre - Malaysia	670	-
BAT (Singapore) Pte Ltd - Singapore	589	258
BAT Western Europe Area - Netherland	583	1,190
BAT (Taiwan) Ltd - Taiwan	289	306
BAT Equatorial Africa Area Ltd - Kenya	273	626
BAT Australia Ltd EFT - Australia	196	-
BAT Egypt - Egypt	187	-
BAT (Malaysia) Berhad - Malaysia	125	-
Ceylon Tobacco Company Plc - Sri Lanka	-	627
PT BAT Indonesia Tbk, Indonesia	-	492
Rothmans Far East B.V - South Korea	-	423
PT Export Leaf Indonesia - Indonesia	-	344
	39,221	21,336

23. Cash and bank balances

	2010 Rs '000	2009 Rs '000
Deposit accounts	14,104	14,133
Current accounts		
Local currency	5,941	8,771
Foreign currency	31,139	23,725
	51,184	46,629
Cash in transit	-	598
Cash in hand	761	647
	51,945	47,874

	2010 Rs '000	2009 Rs '000
24. Trade and other payables		
Related parties - unsecured		
Due to holding company / associated companies - note 24.1	198,914	221,814
Others		
Creditors	910,153	843,455
Federal excise duty - note 24.2	2,779,617	2,604,744
Sales tax	648,206	601,057
Tobacco excise duty / Tobacco development cess - note 24.3	76,292	66,783
Accrued liabilities	206,017	163,786
Other employee benefits - note 24.4	274,238	317,769
Retirement benefits - note 26	85,621	59,407
Staff pension fund - defined contribution	889	471
Workers' Profit Participation Fund	-	3,650
Workers' Welfare Fund	40,854	105,464
Advances from customers	74,457	6,274
Security deposits	14,104	14,133
Unclaimed dividend	30,390	28,689
	5,339,752	5,037,496

24.1 The amount due to holding company / associated companies comprises:

	2010 Rs '000	2009 Rs '000
Holding Company		
British American Tobacco p.l.c. - UK	80,805	102,577
Associated Companies		
BAT Asia-Pacific Region Ltd - Hong Kong	69,679	79,905
BAT (Singapore) Pte Ltd - Singapore	25,522	13,830
BAT ASPAC - Malaysia	18,213	21,774
BAT Bangladesh Co. Ltd - Bangladesh	3,727	-
BAT (Malaysia) Berhad - Malaysia	612	202
Ceylon Tobacco Company Plc - Sri Lanka	278	2,696
BAT Hungry - Hungry	55	-
Rothmans Far East B.V - South Korea	23	-
BAT Nigeria Ltd - Nigeria	-	756
BAT SA Ltd - South Africa	-	74
	198,914	221,814

24.2 Federal excise duty

	2010 Rs '000	2009 Rs '000
Balance as at January 1	2,604,744	2,176,647
Payment to the Government during the year	(30,301,548)	(27,255,490)
Charge for the year	30,476,421	27,683,587
Balance as at December 31	2,779,617	2,604,744

24.3 Tobacco excise duty / Tobacco development cess:

	2010 Rs '000	2009 Rs '000
Balance as at January 1	66,783	64,509
Payment to the Government during the year	(69,463)	(65,655)
Charge for the year	78,972	67,929
Balance as at December 31	76,292	66,783

	2010 Rs '000	2009 Rs '000
24.4 Other employee benefits		
Balance as at January 1	317,769	306,673
Payment to employees during the year	(343,666)	(248,231)
Charge for the year	300,135	259,327
Balance as at December 31	274,238	317,769

Other employee benefits represent bonus to eligible employees.

25. Short term running finance - secured

(a) Short term running finance

Short term running finance facilities available under mark-up arrangements with banks amount to Rs 5,350 million (2009: Rs 3,700 million), out of which the amount unavailed at the year end was Rs 3,098 million (2009: Rs 2,399 million). These facilities are secured by hypothecation of stock in trade and plant & machinery amounting to Rs 5,940 million (2009: Rs 4,444 million). The mark-up ranges between 12.72% and 14.39% (2009: 11.89% and 17.50%) per annum and is payable quarterly. The facilities are renewable on annual basis.

(b) Non-funded finance facilities

The Group also has non-funded financing facilities available with banks, which include facility to avail letter of credit and letter of guarantee. The aggregate facility of Rs 2,500 million (2009: Rs 2,500 million) and Rs 340 million (2009: Rs 340 million) is available for letter of credit and letter of guarantee respectively, out of which the facility availed at the year end is Rs 748 million (2009: Rs 972 million) and Rs 200 million (2009: Rs 182 million). The letter of guarantee facility is secured by second ranking hypothecation charge over stock-in-trade amounting to Rs 355 million (2009: Rs 355 million)

	2010 Rs '000	2009 Rs '000
26. Retirement benefits		
Staff pension fund	51,640	14,206
Employees gratuity fund	33,981	45,201
	85,621	59,407

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2010 using the projected unit credit method. Details of the defined benefit plans are:

		Defined benefit pension plan		Defined benefit gratuity plan	
		2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000
(a)	The amounts recognised in the balance sheet:				
	Present value of defined benefit obligations	2,399,679	2,100,232	683,533	586,297
	Fair value of plan assets	(2,348,039)	(2,086,026)	(649,551)	(541,096)
	Net liability	51,640	14,206	33,982	45,201
(b)	Movement in the liability recognized in the balance sheet is as follow:				
	Balance as at January 1	14,206	536,808	45,201	202,325
	Charge for the year - profit & loss	58,042	185,128	32,494	63,797
	Charge / (Credit) for the year - statement of comprehensive income	50,959	(121,681)	26,401	14,816
	Employer's contribution during the year	(71,567)	(586,049)	(70,114)	(235,737)
	Balance as at December 31	51,640	14,206	33,982	45,201
(c)	The amounts recognised in the profit and loss account:				
	Current service cost	94,207	76,717	29,860	24,444
	Interest cost	267,722	266,023	73,324	68,245
	Expected return on plan assets	(265,045)	(124,318)	(67,527)	(26,482)
	Members' own contribution	(26,298)	(24,235)	-	-
	Secondees' own contribution	(4,417)	(3,498)	-	-
	Contribution by employer in respect of secondees	(8,127)	(5,561)	(3,163)	(2,410)
		58,042	185,128	32,494	63,797
(d)	The aggregate amounts recognised in the statement of comprehensive income:				
	Actuarial losses as at January 1	405,461	527,142	239,146	224,330
	Actuarial losses on defined benefit obligations	37,773	65,280	28,101	52,427
	Actuarial losses / (gains) on plan assets	13,186	(186,961)	(1,700)	(37,611)
		50,959	(121,681)	26,401	14,816
	Actuarial losses as at December 31	456,420	405,461	265,547	239,146
(e)	Changes in the present value of defined benefit obligation:				
	Present value of defined benefit obligation as at January 1	2,100,232	1,769,557	586,297	460,720
	Current service cost	94,207	76,717	29,860	24,444
	Interest cost	267,722	266,023	73,324	68,245
	Actual benefits paid during the year	(100,255)	(77,345)	(34,049)	(19,539)
	Actuarial losses	37,773	65,280	28,101	52,427
	Present value of defined benefit obligation as at December 31	2,399,679	2,100,232	683,533	586,297

	Defined benefit pension plan		Defined benefit gratuity plan	
	2010 Rs '000	2009 Rs '000	2010 Rs '000	2009 Rs '000
(f) Changes in the fair value of plan assets:				
Fair value of plan assets as at January 1	2,086,026	1,232,749	541,096	258,395
Expected return on plan assets	265,045	124,318	67,527	26,482
Contribution by employer in respect of members	71,567	586,049	70,114	235,737
Members' own contribution	26,298	24,235	-	-
Secondees' own contribution	4,417	3,498	-	-
Contribution by employer in respect of secondees	8,127	5,561	3,163	2,410
Actual benefits paid during the year	(100,255)	(77,345)	(34,049)	(19,539)
Actuarial (losses) / gains	(13,186)	186,961	1,700	37,611
Fair value of plan assets as at December 31	2,348,039	2,086,026	649,551	541,096
Actual return on plan assets	254,909	290,529	64,711	66,482

During the year 2011 the Group expects to contribute Rs 70.544 million and Rs 33.742 million to its defined benefit pension plan and defined benefit gratuity plan respectively.

(g) The major categories of plan assets:				
Investment in equities	218,145	98,511	81,754	30,544
Investment in bonds	2,122,487	1,972,530	565,283	505,750
Cash	2,279	10,425	2,460	4,730
Other assets	5,128	4,560	54	72
	2,348,039	2,086,026	649,551	541,096
(h) Significant actuarial assumptions at the balance sheet date:				
Discount rate	14.50%	12.75%	14.50%	12.75%
Expected rate of return on plan assets	14.50%	12.75%	14.50%	12.75%
Expected rate of increase in salary				
First year	13.00%	16.00%	13.00%	16.00%
Second year onwards	13.00%	11.25%	13.00%	11.25%
Pension increase rate	10.50%	8.75%	-	-

The discount rate is determined by considering underlying yield currently available on Pakistan Investment Bonds and high quality term finance certificates and expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Salary increase assumption is based on the current general practice in the market.

	2010 Rs '000	2009 Rs '000	2008 Rs '000	2007 Rs '000	2006 Rs '000
(i) Amounts for the current and previous four years:					
Defined Benefit Pension Plan					
Present value of defined benefit obligation	(2,399,679)	(2,100,232)	(1,769,557)	(1,704,382)	(1,413,319)
Fair value of plan assets	2,348,039	2,086,026	1,232,749	1,367,884	1,202,614
Deficit	(51,640)	(14,206)	(536,808)	(336,498)	(210,705)
Experience adjustments on obligation	(37,773)	(83,719)	(63,120)	(122,206)	(97,267)
Experience adjustments on plan assets	(10,136)	166,211	(333,376)	12,878	(27,420)
Defined Benefit Gratuity Plan					
Present value of defined benefit obligation	(683,533)	(586,297)	(460,720)	(490,379)	(388,407)
Fair value of plan assets	649,551	541,096	258,395	337,374	270,997
Deficit	(33,982)	(45,201)	(202,325)	(153,005)	(117,410)
Experience adjustments on obligation	(28,101)	(63,208)	(73,527)	(46,209)	(39,159)
Experience adjustments on plan assets	(2,816)	40,000	(64,891)	152	(7,230)

	2010 Rs '000	2009 Rs '000
26.1 Salaries, wages and benefits as appearing in note 7, 8 and 9 include amounts in respect of the following:		
Provident Fund	56,290	49,364
Pension Fund	58,042	185,128
Gratuity Fund	32,494	63,797
	146,826	298,289

27. Deferred income tax liability

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

The offset amounts are as follows:		
Deferred tax assets	10,231	10,231
Deferred tax liabilities	1,147,812	1,120,078
Deferred tax liability (net)	1,137,581	1,109,847
The gross movement on deferred income tax account is as follows:		
At January 1	1,109,847	836,939
Charge for the year - consolidated profit and loss account (note 12)	27,734	22,781
Charge for the year - consolidated statement of comprehensive income (note 12.2)	-	250,127
At December 31	1,137,581	1,109,847

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within same tax jurisdiction, is as follows:

The deferred income tax asset is related to the temporary differences between carrying amount of retirement benefit and the corresponding tax base.

	2010 Rs '000	2009 Rs '000
Balance as at January 1	10,231	258,697
Credit for the year - consolidated profit and loss account	-	1,661
Charge for the year - consolidated statement of comprehensive income - note 12.2	-	(250,127)
Balance as at December 31	10,231	10,231

The deferred income tax liability is related to temporary differences between carrying amount of operating fixed assets and the corresponding tax base.

Balance as at January 1	1,120,078	1,095,636
Charge for the year - consolidated profit and loss account	27,734	24,442
Balance as at December 31	1,147,812	1,120,078

28. Share capital

28.1 Authorized share capital

2010 (Number of shares)	2009		2010 Rs '000	2009 Rs '000
300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

28.2 Issued, subscribed and paid-up capital

2010 (Number of shares)	2009		2010 Rs '000	2009 Rs '000
230,357,068	230,357,068	Cash	2,303,571	2,303,571
25,136,724	25,136,724	Bonus shares	251,367	251,367
255,493,792	255,493,792		2,554,938	2,554,938

British American Tobacco (Investments) Limited held 241,045,141 (2009: 241,045,141) ordinary shares at the year end.

There has been no movement in issued, subscribed and paid-up capital during the year.

29. Contingencies and commitments

29.1 Contingencies

(a) Claims and guarantees

(i) Claims against the Group not acknowledged as debt	127,050	113,436
(ii) Guarantees issued by banks on behalf of the Group	199,608	181,637

(b) Litigation

The Group is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have any material impact on the consolidated financial statements.

	2010 Rs '000	2009 Rs '000
29.2 Commitments		
(a) All property rentals are under cancellable operating lease arrangements and are due as follows:		
No later than one year	20,099	65,587
Later than one year and no later than five years	91,171	133,918
Later than five years	35,898	20,433

(b) Letters of credit outstanding at December 31, 2010 were Rs 748,185 thousand (2009: Rs 971,528 thousand).

30. Financial instruments

Financial assets and liabilities

Financial assets	Loans and receivables	
Maturity up to one year:		
Trade debts	1,597	1,684
Loans and advances	48,267	48,598
Other receivables		
Local Currency	43,646	56,575
Foreign Currency	29,879	11,551
Cash and bank balances		
Local Currency	20,806	24,149
Foreign Currency	31,139	23,725
Maturity after one year:		
Loans	3,417	7,310
Security deposits	10,540	15,219
	189,291	188,811

Financial liabilities	Other financial liabilities	
Maturity up to one year:		
Federal excise duty and sales tax payable	3,427,823	3,205,801
Other trade payables		
Local Currency	1,678,070	1,629,416
Foreign Currency	159,402	196,005
Accrued interest / mark-up	46,789	27,659
Short term running finance	2,252,218	1,300,837
	7,564,302	6,359,718

31. Transactions with related parties

British American Tobacco (Investments) Limited (BAT-IL) holds 94.34% (2009: 94.34%) shares of the Company at the year end. Therefore, all the subsidiaries and associated undertakings of BAT-IL and the ultimate parent company British American Tobacco, p.l.c (BAT) are related parties of the Group. Such entities are also referred to as 'BAT' in these consolidated financial statements. The related parties also include directors, major shareholders, key management personnel, employee funds and the entities over which the directors are able to exercise the influence. The amounts due from and due to these undertakings are shown under receivables and payables. The remuneration of the chief executive, directors, key management personnel and executives is given in note 14 to the consolidated financial statements.

	2010 Rs '000	2009 Rs '000
Purchase of goods and services from		
Holding company	192,129	177,382
Associated companies	1,370,643	1,770,892
Sale of goods and services to		
Holding company	5,266	3,824
Associated companies	433,066	149,671
Royalty charge from		
Holding company	345,339	331,902
Expenses reimbursed to		
Associated companies	553	219
Expenses reimbursed by		
Holding company	134	-
Associated companies	1,671	1,699

32. Post balance sheet event

Final dividend in respect of the year ended December 31, 2010 of Rs 2.10 (2009: Rs 4.75) per share amounting to a total dividend of Rs 536,537 thousand (2009: 1,213,596 thousand) has been proposed, over and above the interim dividend of Rs 1.25 (2009: Rs 7.25) per share paid during the year, out of the revenue reserves at the Board of Directors meeting held on March 16, 2011. These consolidated financial statements do not reflect this proposed dividend.

33. General

33.1 Capacity and production

Against an estimated manufacturing capacity of 45,270 million (2009: 48,111 million) cigarettes, actual production was 36,196 million (2009: 41,973 million) cigarettes. Actual production was sufficient to meet market demand. There was no production through any outside manufacturing source.

33.2 Number of employees

Total number of employees as at December 31, 2010 was 1,597 (2009: 1,573).

33.3 Date of authorization

These consolidated financial statements have been authorized for circulation to the shareholders by the Board of Directors of the Group on March 16, 2011.

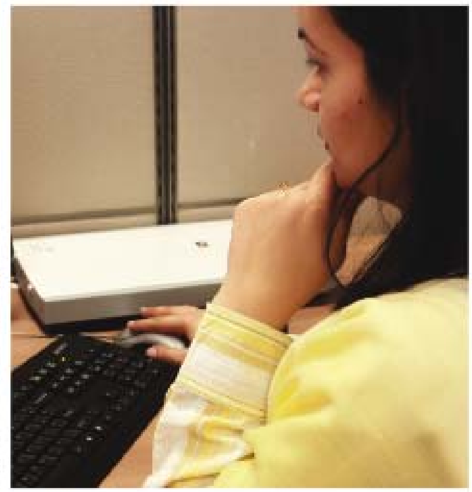
Nicholas Stewart Hales
Managing Director & CEO

Mobasher Raza
Finance Director

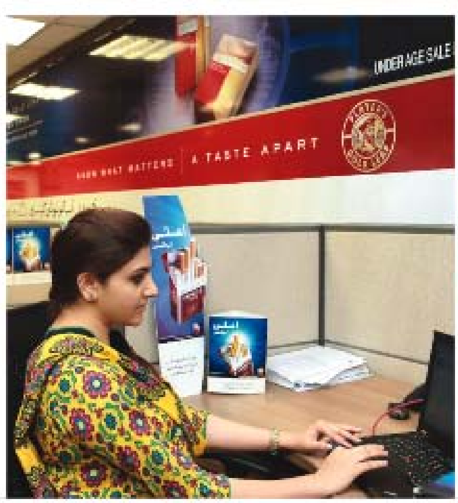
Committed to excellence

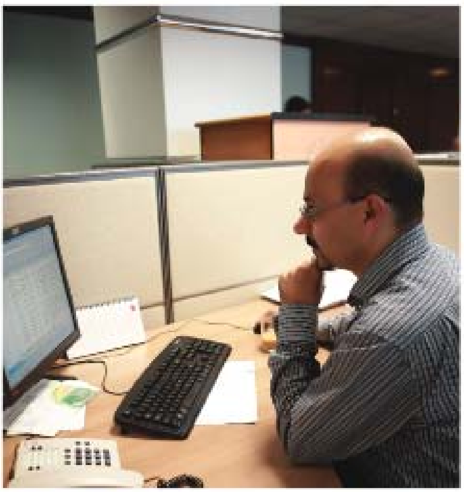
Our People













DICKINSON



CAPSTAN

PAKISTAN TOBACCO COMPANY

Form of Proxy

I, ____________________

of ____________________

a member of Pakistan Tobacco Company Limited, hereby appoint ____________________

____________________ of ____________________

or failing him ____________________ of ____________________

or failing him either of them, may in writing appoint any other person to act as my proxy at the 64th Annual General Meeting of the Company to be held on the 22nd April, 2011 and at any and every adjournment thereof.

As witness my hand this ________ day of ____________ 2011.

Signed ____________________

Shareholder„s Folio No. ____________________

Rs 5 REVENUE STAMP

Note:

1. The signature should agree with the specimen signature registered with the Company.
2. A proxy need not be a member of the Company.
3. Proxy Forms properly completed should be deposited at the office of the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd, State Life Building No.1-A, 1st Floor, I. I. Chundrigar Road, Karachi not later than 48 hours before the time for holding the Meeting or adjourned Meeting and in default the instrument of proxy shall not be treated as valid.

For Beneficial Owners as per CDC List

In addition to the above the following requirements have to be met:

(i) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be submitted with the Company„s Share Registrar not less than 48 hours before the Meeting.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) The proxy shall produce his original CNIC or Passport at the time of the Meeting.

(iv) In case of a corporate entity, the Board of Directors„ Resolution / Power of Attorney with specimen signature shall be submitted along with proxy form to the Company„s Share Registrar.

Witness as per (ii) above:

1. ____________________

2. ____________________

Pakistan Tobacco Company Limited.
Silver Square, Plot No. 15
F-11 Markaz, P.O.Box 2549
Islamabad 44000

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